

State of Michigan



EXECUTIVE BUDGET

Fiscal Year 2002

A stylized, cursive signature of John Engler in white ink on a dark background.

John Engler, Governor



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER
GOVERNOR

February 8, 2001

To the Citizens of Michigan:

When our administration took office in 1991, Michigan was mired in a mix of high taxes, budget deficits, overspending, missing priorities and missed opportunities. Accomplishing our mission "to restore and renew" Michigan demanded nothing less than a complete transformation.

Thanks to the hard work of our people and their elected representatives, Michigan's transformation in the 1990s was nothing short of remarkable. We made education our number one priority, cut taxes 31 times, restored our "AAA" credit rating, turned a deficit into a \$1.2 billion savings account and helped to create nearly 900,000 new jobs. Today's Michigan is a new Michigan – bold, compassionate, confident and optimistic.

Just as important, we transformed state government – from a brake that held Michigan back to an engine that propels Michigan forward. That's why a study in *Governing* magazine recently rated Michigan as one of the three best-managed states in America. From the way we manage our resources to the way we implement innovative technology, Michigan is a national leader.

Now, our challenge is to build the Next Michigan – to keep up our momentum, to stay in the lead and to shape the future. This budget is a blueprint for the Next Michigan and reflects our continuing commitment to invest in our children's education, keep our families safe, protect our environment and harness technology to serve people. We do all of this while remaining steadfast in our pledge to continue reforming and limiting government.

My budget recommendation for Fiscal Year 2002 also reflects the reality of an uncertain national economy and slowing tax revenues. Our continuing prudence will preserve our progress and protect our priorities. Never has Michigan been so well prepared to face whatever challenges come our way.

I look forward to working with the Michigan House and Senate to enact this budget. Let us continue the spirit of cooperation that has highlighted the beginning of this legislative session. Together, we will help build the Next Michigan.

Sincerely,

John Engler
Governor



BUILDING THE NEXT MICHIGAN

Governor Engler's Fiscal Year 2002 Executive Recommendation

As Michigan embarks on a new decade, the state is poised for the challenges ahead. We are prepared because we understood the importance of building a strong foundation. Extremely robust economic times have allowed Michigan to build up its reserves and invest in essential services, while providing tax relief. The budget submitted today applies this same fiscally prudent formula. It is carefully crafted, soundly balanced and reflects Governor Engler's vision for Building the Next Michigan — a Michigan for the 21st Century.

MICHIGAN LEADS THE WAY

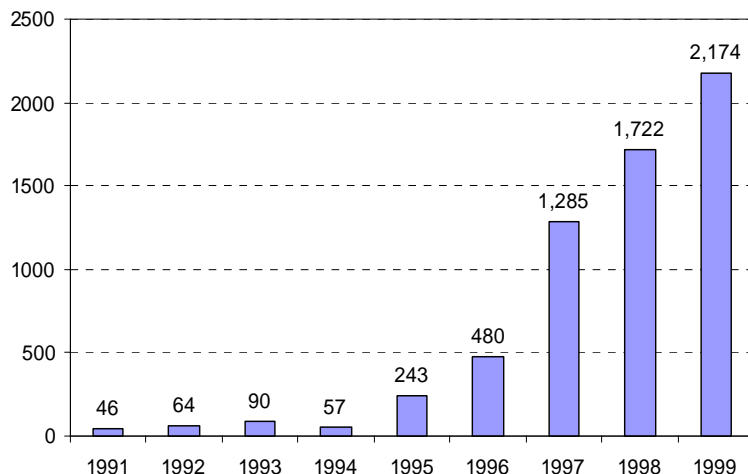
Governor Engler said it best in his State of the State address when he proclaimed: "The Michigan way. . . is to lead." The sweeping reforms we have made to our welfare system, our criminal justice system, our tax system, and our business climate have led to unprecedented progress. In each case, we've shown that dramatic change produces dramatic results. We have created a strong Michigan economy and one of the best managed states in the nation.

"When it comes to managing state government, Michigan is on the dean's list."

Detroit News, January 30, 2001

Response to *Governing* Magazine ranking Michigan among the top three states in financial and capital management, personnel practices, performance standards and information technology systems.

Michigan Leads Nation in Economic Development
(Number of New Plants and Expansion)



A three-time winner of Site Selection

magazine's "Governor's Cup" award, Michigan is recognized as the national leader in new plants, expansion projects and capital investment. Michigan has also made great strides in diversifying its economy, assisting 350 companies to expand or successfully locate in Michigan.

In fact, Michigan is ranked ninth as a start-up state for information technology companies. With support for the Michigan Life Sciences Corridor initiative, more and more medical research and commercialization activities are taking place in Michigan. The Corridor will help position Michigan as a global center for research in biotechnology, medicine and genetics.

The innovation and focus given to economic development activities have paid great dividends. Unemployment is down from 9.3 percent in 1991 to 3.4 percent in 2000, the lowest unemployment rate in state history! In 2000, we created 49,000 jobs, for a total of nearly 900,000 new jobs since 1991.

However, recent indicators reflect an overall leveling or temporary cooling in the economy. During the Consensus Revenue Estimating Conference on January 11th,

"Michigan's fiscal volatility has declined by virtue of several changes to management and budget control reforms instituted in recent years. These changes solidify well-established trends of effective management, structural budget balance, and fiscal flexibility."

Moody's Investors Service, October 5, 2000

top economists used a variety of indicators to describe this leveling off in the economy. As Michigan has been riding an economic wave in the last few years, it is important to put this softening of the economy into perspective. For example, nationally, light vehicle sales are projected to be down from 17.2 million units in 2000 to 15.7 million units in 2001. In 2002, light

vehicle sales are expected to increase to over 16 million units. It is important to note that light vehicle sales in the 16 million unit range are still considered phenomenal.

Another economic indicator is unemployment. In 2002, Michigan's unemployment is projected to be 4.5 percent. Compare this to the 1980's when we had double digit unemployment of 15.5 percent. *Standard & Poor's* economist Cynthia Latte described Michigan's modest deceleration as "the pause that refreshes" and further predicted a resurgence by the end of 2001 or early 2002. As we continue to monitor these economic trends, Michigan is better prepared than ever before to weather whatever challenges lie ahead. Our track record proves we can make the tough choices needed to ensure our fiscal integrity and the right choices to prepare for the future.

MICHIGAN IS PREPARED FOR THE FUTURE

Last Fall, Wall Street rating agencies *Standard & Poor's* and *Moody's Investors Service* recognized Michigan's financial strength by awarding our state their top credit rating. They analyzed our state, its investment strategies, its strong reserves and financial management practices over the last decade to determine the financial soundness of the state. The result – Michigan, a "AAA" – the highest rating possible. With this prestigious upgrade, I am proud to report that Michigan's fiscal management is certified to be among the nation's best.

The upgrade was a reflection of the following:

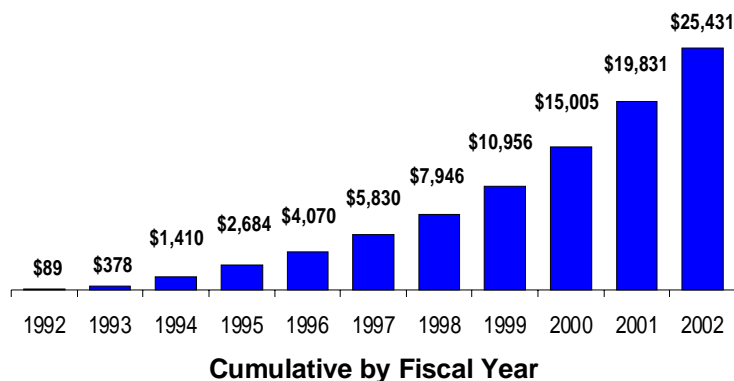
- Strong financial controls and consecutively balanced budgets;
- A history of building and maintaining the state's rainy day fund and School Aid Fund at high levels;
- A reduction in short term borrowing;
- A very low debt burden for a large, mature, industrialized state;
- A fully funded state pension system;
- A steady pace of economic growth and diversification;
- An economy that continues to add jobs while keeping unemployment at historic lows; and
- Well-established economic and financial trends that have accommodated significant tax cuts in recent years.

ONGOING TAX RELIEF

During the last decade, we have consistently cut taxes and controlled spending. And since 1993, we have experienced significant economic growth. We intend to stay the course that is fueling Michigan's renewal. Again, that means looking beyond today so we are prepared for tomorrow. We are all familiar with the deficit we inherited in 1990.

We didn't fix Michigan by simply tinkering around the edges. We cut excessive spending and high taxes that placed an unfair burden on all the citizens. Every year since 1992 we have cut taxes in Michigan. For individuals. For businesses. For seniors. For families. For everyone.

Michigan Taxpayers Save \$25 Billion (millions)



This year's budget reflects the tax cuts already signed into law. The tax cuts for fiscal year 2002 total \$5.6 billion, bringing tax relief to more than \$25 billion since 1992. By next January, multi-year tax cuts approved in 1998 and 1999 will have dropped Michigan's flat rate income tax to 4.1 percent and our business tax to 1.9 percent, saving families and job providers an additional \$350 million.

SUPERCHARGED ECONOMY COOLS

One of the most complicated components in developing the Executive Budget involves establishing consensus on available revenues. Over the last few years, the state's baseline revenue growth has mirrored the surging economy. This unprecedented growth in baseline revenues has enabled the state to return hundreds of millions of dollars to taxpayers, and build up significant reserves, while at the same time enacting budgets based on modest spending increases. However, there is both hard data and a growing sentiment that suggests a slowing of economic growth at the national and local levels. While Michigan's economy remains strong, in today's global world, the turbulence of the stock markets or unsettled conditions in the Middle East can have ramifications for the state's revenue collections.

The Michigan Constitution requires the Governor to present a balanced budget to the Legislature. Proposed expenditures may not exceed projected revenues. The Governor relies on the results of the Consensus Revenue Estimating Conference to set the revenues upon which the Executive Budget is based. Four weeks ago, the conferees—the State Treasurer and the directors of the House and Senate fiscal agencies—jointly determined revenue projections for fiscal year 2001 and fiscal year 2002. The budget presented to you today is based on those revenue estimates.

Over the last few years, we have all looked forward to the next revenue estimating conference—anticipating the continued good news story that revenues have once again exceeded expectations. The January estimates provide us an unwelcome dose of reality. When the revenue estimates exceed expectations, the fallout is minimal—likely resulting in one time spending investments or deposits into the rainy day fund.

However, if the revenue collections are less than anticipated, the stakes are much higher and potentially much more serious. It is critical to remember that each percentage point change in revenue collections represents a swing in revenues of \$200 million. We will be working with the fiscal agencies to closely monitor the revenues. The volatility in the current economy leads us to be cautious in our approach to new spending.

Fiscal Year 2001

Revenue estimates from the January Consensus Conference indicate that current year revenues are \$121 million below the enacted budget. In most years, this would force drastic mid-year reductions. Fortunately, the \$121 million shortfall can be covered by utilizing the fiscal year 2000 general fund surplus, currently estimated at \$179 million. However, there is also a need for a current year supplemental.

The most significant general fund supplemental need is a minimum \$25 million to address a federal penalty in the child support enforcement program. Other spending needs include \$17 million for disaster relief assistance associated with the recent flooding and snow disasters, \$10 million to further expand government e-commerce services to citizens and businesses, and \$5 million to match federal welfare-to-work funds.

The decline in current year revenue projections could have triggered the statutory and constitutional provisions related to Executive Order reductions. Fortunately, the fiscal year 2000 surplus negated the need for Executive Order reductions. The projected decline in fiscal year 2001 revenues indicates that state agencies need to look inward for economies and efficiencies in order to generate modest budgetary savings.

The belt tightening began late last week when Governor Engler announced a more restrictive hiring freeze for Executive branch agencies. In addition, the proposed supplemental reduces the general fund appropriations in Executive branch agencies by one half of one percent, effective April 1, 2001, saving \$12.2 million. An equivalent percentage reduction is built into the agency budgets for the entire 2002 fiscal year.

These reductions are reflected in the budget bills as a lump sum amount. Each Executive Branch agency will submit an implementation plan to the Budget Director by April 1. These plans will then be transmitted to the Legislature for approval and incorporation into the final enacted budget for each agency.

Fiscal Year 2002

The Consensus Revenue Conference estimated fiscal year 2002 general fund revenues at \$9.78 billion, an increase of only \$43 million (0.4 percent) over the current year's enacted budget. If you compare these figures to the last five years of general fund spending, the fiscal restraint necessary to build a balanced budget becomes readily apparent. The \$43 million increase in 2002 compares to an average annual increase in general fund spending, over the last five years, of \$330 million.

| Fiscal Year 2002 Projected General Fund Revenue <i>(in Millions)</i> | |
|--|-------------------------|
| Consensus Revenue Estimate | \$9,787.8 |
| P.A. 477 of 2000 | (3.1) |
| Available FY 2002 Revenues | \$9,784.7 |
| FY 2001 Enacted Appropriations | \$9,741.3 |
| Net Increase Available for Spending | \$43.4 |
| Percent Increase over FY 2001 | 0.4% |

Keep in mind, the previous five years were hardly examples of unrestrained spending, especially when compared to our economic prosperity over that same time period. The Legislature and Governor returned \$16 billion of that economic prosperity to taxpayers, increased the rainy day fund to \$1.26 billion, and built a surplus in the School Aid Fund of \$850 million. The sound fiscal management demonstrated over the last five years – and the last decade – will need to be maintained and strengthened in order to enact a fiscally responsible 2002 budget.

HIGHLIGHTS OF THE EXECUTIVE BUDGET RECOMMENDATION

The fiscal year 2002 Executive Budget continues the prudent fiscal policies that have restored Michigan's financial health over the last decade – funding the essential, eliminating the unnecessary, and maximizing the return on every tax dollar spent.

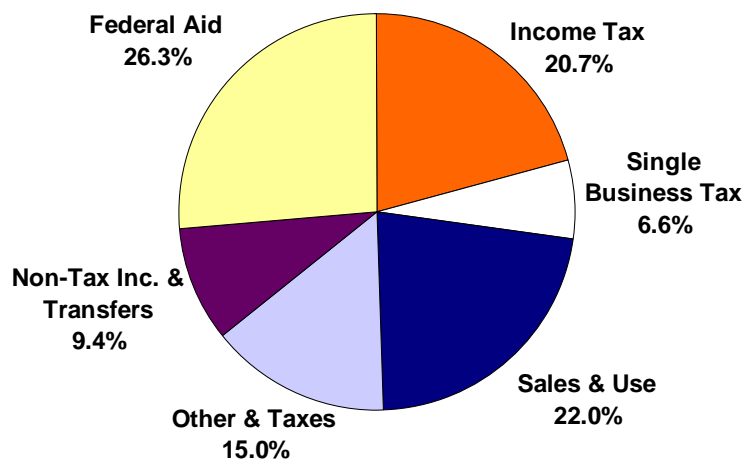
This year's spending plan maintains record investments in K-12 education, community colleges and universities, health care, transportation and the environment. It fully funds revenue sharing for local units of government. It also directs state agencies to reinvigorate their efforts to identify economies and efficiencies within their individual budgets.

Overall Budget

The fiscal year 2002 budget recommendation totals \$38.2 billion, a \$1.2 billion or 3.3 percent increase from the current year appropriations.

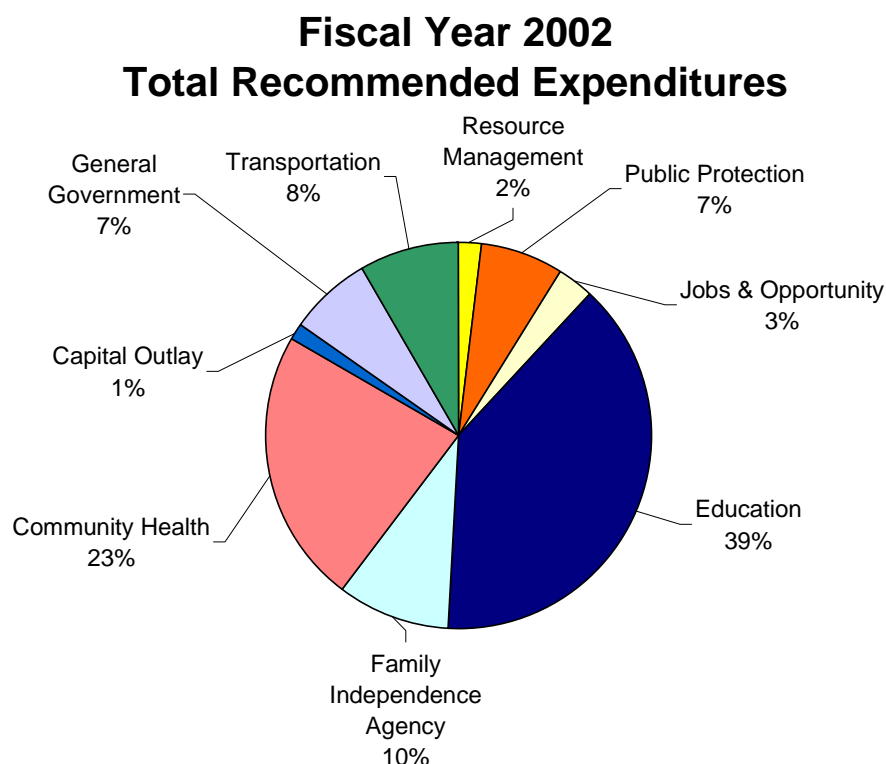
This \$38 billion total includes \$9.8 billion in general fund spending, \$11.5 billion earmarked for the school aid fund, \$1.7 billion in revenue sharing for local governments, \$3.1 billion in transportation spending, and recognizes \$10.1 billion in federal revenues.

Fiscal Year 2002 Estimated Revenues
Total \$38 Billion



Education has been — and continues to be — our top spending priority. More than \$14.8 billion, or 39 percent, of the state's overall budget is devoted to education.

This includes funding for the K-12 system, universities, community colleges, financial aid, and debt obligations related to the School Bond Loan Fund and higher education capital construction. This is a tremendous commitment in financial resources.



General Fund Budget

The modest increase in General Fund revenues has resulted in what could best be described as a continuation budget. The budget includes two percent inflationary adjustments for health care providers, university and community college operations, human service clients and providers, and state employee salaries. Combined these inflationary adjustments total \$124.3 million.

The budget also includes unavoidable cost increases associated with Medicaid pharmaceuticals, Medicaid price and utilization factors, debt obligations related to the School Bond Loan fund and the state building authority, employee and retiree health care, and state match obligations for federal grants. Further, it supports a significant cost shift related to the movement of employees into the new Cadillac Place in Detroit, and Constitution Hall, here in Lansing.

Obviously, the \$43 million increase in revenues is not enough to pay for all of these spending obligations. Savings in other areas of the budget will offset these spending increases, including an already enacted \$180 million reduction in the general fund contribution to the School Aid Fund.

In addition, this budget recommends a \$30 million fund shift related to federal maintenance of effort obligations, \$12 million Medicaid pharmacy savings, \$10 million associated with the delayed opening of the Belamy Creek Prison, and \$26 million in agency budgetary reductions.

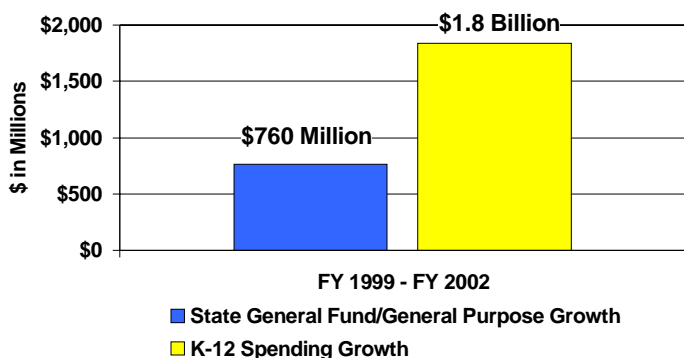
School Aid Fund

Last year, the Legislature enacted a multi-year School Aid budget from fiscal year 2000 through fiscal year 2003. Overall, state spending in the 2002 School Aid budget increases by \$589 million, or 5.4 percent over current year spending.

The January Revenue Conference lowered projected School Aid revenues for fiscal years 2000 through 2003 by approximately \$500 million. Due to prudent decisions last summer by the Legislature and the Governor to maintain a reserve

in the School Aid Fund, the enacted school aid budget will not have to be reduced due to these lower revenue estimates.

Since FY 1999, New K-12 Spending Has More Than Doubled the General Fund Growth



As mentioned previously, the multi-year budget reduced the 2002 general fund contribution to the School Aid Fund by \$180 million. Despite this reduction, the K-12 public education system will receive a 2002 spending increase approaching \$600 million. This increase is staggering in comparison to the modest general fund increase of only \$43 million.

EDUCATION REMAINS A TOP PRIORITY

In his State of the State address, Governor Engler said “the single most important thing we do to ensure the success of the Next Michigan is to ensure the success of the next generation. We need good public schools.” As Michigan enters the new millennium, it is abundantly clear that education remains the top priority of Governor Engler and the Michigan Legislature. The already enacted School Aid budget generously increases per pupil funding, addresses funding inequities between districts, emphasizes early intervention initiatives, promotes technology in support of education, and fully funds the state’s constitutional obligations.

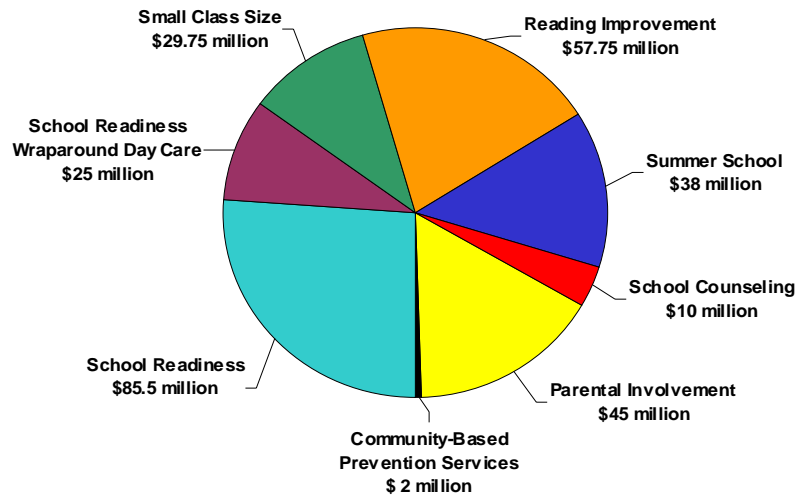
This budget provides a record level of support for public education. Total state and local funding for schools is estimated to exceed \$14.2 billion in fiscal year 2002, an increase of approximately 80 percent since 1990.

When school finance reform began in fiscal year 1995, only 52 districts receiving foundation allowances at or above \$6,500 were considered “wealthy districts”. These districts were given special authorization to levy additional local millages to support those “wealthy” foundations. In fiscal year 2002, all districts will receive at least \$6,500 per pupil. Per-student funding once considered exceptional will now be universal.

By fiscal year 2003, all districts will be boosted further to a minimum of \$6,700 per pupil, an increase of 60% over fiscal year 1995 levels.

The Governor's vision for the Next Michigan is that every school is a good school and no child is left behind. The multi-year budget approved by the Legislature provides the foundation to achieve this vision. Beginning in fiscal year 2001, over \$850 million in the All Students Achieve Program is focused on early intervention initiatives for children from birth through the early elementary grades to prepare students for academic success.

All Students Achieve Programs More Than \$850 Million Over Three Years Fiscal Year 2002 Annual Appropriation - \$293 Million



- Funding of \$45 million is provided annually to encourage positive parenting skills, educate parents on child development, and promote access to needed community services through a community-school-home partnership for children from birth to age five.
- The state's school readiness program has grown to an annual funding level of \$85.5 million and will prepare nearly 26,000 at-risk 4-year-olds to enter kindergarten. The program began as a pilot in 1986 with funding of \$1 million, serving less than 1,000 children.
- Funding of \$25 million is provided for a wrap-around day care program to provide a full day program, allowing more children of working parents to take advantage of the part-time school readiness preschool program.
- Beginning in fiscal year 2001, the School Aid budget contains \$50 million annually for districts to assess reading skills and implement research-based, structured reading improvement programs for at-risk students in the early elementary grades. An additional \$5 million is provided annually for teacher training in reading instruction and assessment.
- To assist those children falling behind in reading and mathematics, the budget provides \$38 million for fiscal years 2001 and 2002, and \$50 million in fiscal year 2003 for summer school programs. The programs will provide at least six weeks of supplementary instruction for students in grades 1-4.
- Class size reduction grants for kindergarten through the third grade are increased by \$10 million to \$30 million beginning in fiscal year 2001.

No commitment is more important than the investment we make in preparing our children for the future. The schools of the Next Michigan must be prepared for the challenges ahead. The School Aid budget addresses these challenges by providing new and increased funding for a variety of initiatives:

- A significant, one-time investment of \$110 million provides laptop computers, training and Internet access to ensure that our teachers are on the “cutting edge.” Building by building, teachers and principals vote on how to spend the funds.
- Start-up funding for the Michigan Virtual High School of \$15 million is provided in fiscal year 2001, and ongoing support of \$1.5 million in fiscal years 2002 and 2003.
- To create an Internet-based system that will house financial and performance information on Michigan’s public education system, \$10 million is provided for the Center for Educational Performance and Information.
- Annual funding of \$8 million is provided for the Golden Apple Awards, a program rewarding student achievement on the Michigan Education Assessment Program tests.

HIGHER EDUCATION

Michigan has a world-class college and university system, in part because of the record level of support the state has provided in recent years. These colleges and universities play a vital role in preparing students for productive and rewarding lives and are a critical contributor to our state’s economic well-being.

The fiscal year 2002 budget continues the Governor’s commitment to ensuring that Michigan’s higher education system is accessible and affordable. Since fiscal year 1990, annual funding for our higher education system including financial aid and scholarship programs, has increased by \$877 million, to nearly \$2.3 billion. This represents a 62 percent increase - well above the 41 percent increase in inflation over the same period of time.

This year’s budget builds upon that commitment, providing a two percent overall increase in operating support for our state’s universities and community colleges. The \$1.6 billion appropriation in operational funding includes an increase of \$31.8 million for Michigan’s 15 public universities. The Governor recommends that this increase be distributed as follows:

- A 1.5 percent across-the-board increase for all universities; and,
- An \$8 million increase (0.5 percent) to address per pupil funding inequities between universities based on the funding floors established in prior year budget bills.

The Governor continues to support repeal of the tuition tax credit. The tax credit has had little, if any, impact on tuition restraint. The Governor supports an additional 1.5 percent increase for university operations, contingent upon repeal of the tax credit. This additional funding will bring the across-the-board increase for universities to three percent.

The \$8 million increase for funding floors will first be used to bring all universities up to a minimum of \$4,500 per student. The remaining funding is allocated on a per-student basis to other eligible universities. The across-the-board increases, when combined with the \$8 million, bring Grand Valley State University, Central Michigan University, Oakland University, and Saginaw Valley State University up to their respective funding floors.

The fiscal year 2002 budget for Michigan's 28 community colleges is increased \$6.2 million for a total of over \$320 million. Consistent with past practice, half of the increase is distributed as an across-the-board adjustment to all community colleges, and the remainder is distributed utilizing the Gast-Mathieu funding formula. Funding for community colleges would also be increased an additional 1.5 percent, contingent upon repeal of the tuition tax credit.

"A decade ago Michigan's higher education system was at a crossroads. Because of sound policy decisions, Michigan is now among the top third of states in key funding indicators."

Presidents Council, State Universities of Michigan, January 29, 2001

While much attention has been given to the generous support given to higher education institutions in their operating budgets, it is essential that we also focus on the state support provided for building and modernization needs.

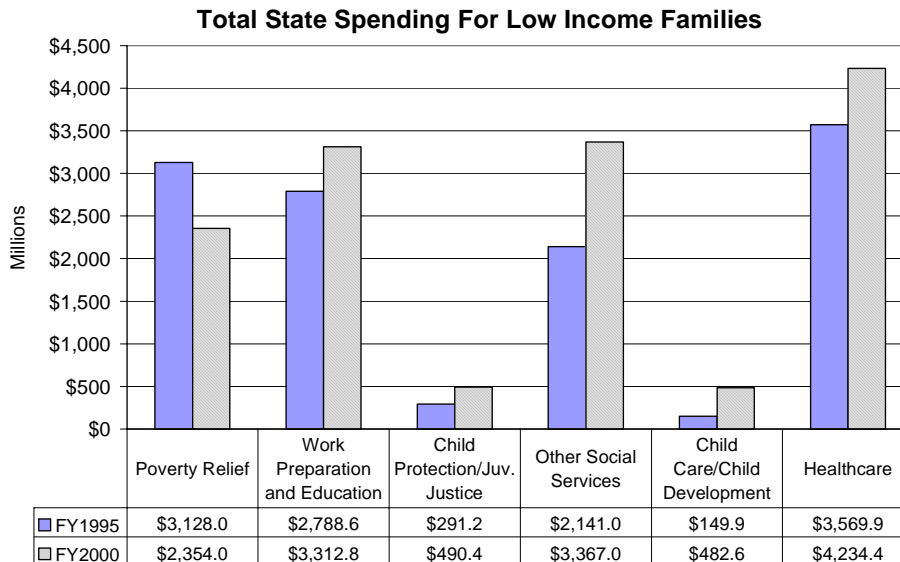
Our higher education system has greatly benefited from our aggressive capital improvement campaign. Since 1990, more than \$2.3 billion has been devoted to capital outlay projects, funding 113 projects at community colleges and institutions of higher education across the state.

To remove the financial obstacles to higher learning, Michigan offers a generous student financial aid program. Regardless of income, there is a program or grant available for virtually every child desiring to further his or her education. The Merit Award, the Michigan Education Trust, the Tuition Incentive Program, the Post Secondary Access Student Scholarships, Michigan Competitive Scholarship, the Michigan Tuition Grant and the Michigan Education Savings Program are all designed to increase access to educational opportunities. In total, this budget dedicates nearly \$255 million for student financial aid and scholarships.

SUPPORT FOR LOW INCOME FAMILIES

Since 1995 — just prior to the passage of federal welfare reform legislation — Michigan has increased state spending on low-income individuals and families by 24 percent. Of even greater significance, however, is the shift in spending away from cash assistance and toward family support services to enable individuals to enter the job market and to support healthy family life. Since

1995, over 223,000 cash assistance cases have been closed because the parent found employment. Of those families still on cash assistance, 72 percent of those expected to work, are working — beginning their journey to economic self-sufficiency. And, 82 of 103 Project Zero sites have reached the goal of employment for all target cases on assistance. These successes must continue.



The Governor's fiscal year 2002 budget continues his support for low-income families in many ways:

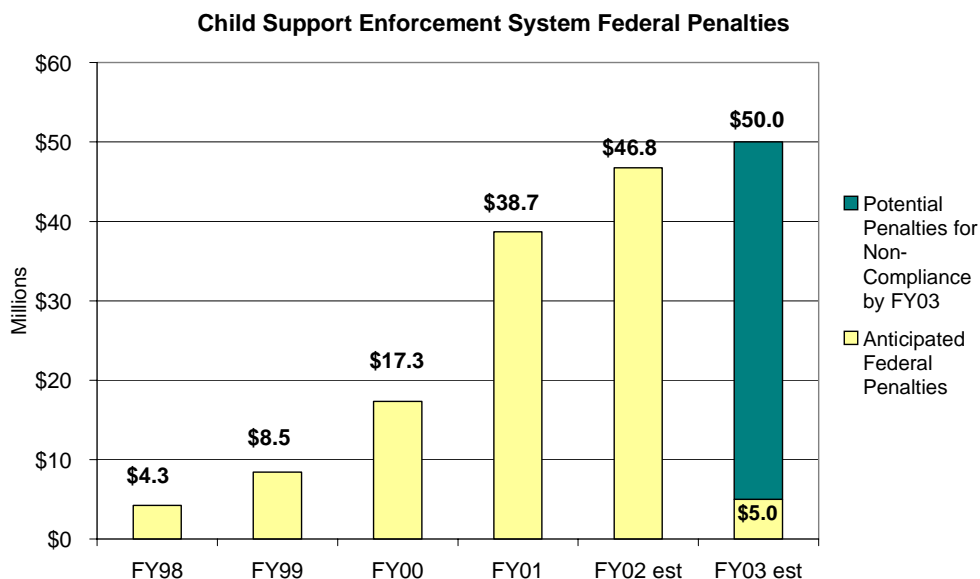
- Day care spending is recommended at a record \$517 million, an increase of 56 percent in only four years — to support low-income families who have entered the labor market. In addition, the School Aid budget increases funding for full-day school readiness programs to \$25 million, so that more low-income working families can take advantage of this important educational program.
- Spending on the Work First program is maintained at \$140.5 million. This high-level of spending will support the evolution of Work First from a program that focused on finding people jobs to a program that helps low-income individuals improve their job skills so that they can advance up the economic ladder. In addition, funding for the Focus: HOPE program, which provides employment and training services in the metropolitan Detroit area, is increased to \$6 million.
- The State Emergency Relief program is increased by \$1.2 million in order to provide services for low-income families who lack the savings to cover emergency needs.
- For those individuals and families who are unable to work, the Governor recommends a two percent grant increase.

- State funding for the School Breakfast program is increased by \$1.2 million to insure that 165,000 low-income children can benefit from this important nutrition program.
- We have also extended a helping hand to uninsured low income individuals and families. This budget provides medical coverage to 93,000 Michigan residents through the State Medical Program or through county-based partnerships with the state.

Many low-income families are dependent on public assistance because an absent parent is unwilling to pay child support. It is unfair to their children – and to the taxpayers – when an absent parent fails to meet parental obligations. Michigan has a long-standing commitment to the child support system, having created the Friend of the Court system in 1919. For years, we have been a leader in this area. In 1994, Michigan was number one in the nation in overall child support collections and total program savings. However, our leadership is declining. Although Michigan was still in the top five for overall collections in 1997, we had slipped to number 21 in paternity establishments and to number 31 in total program savings.

Why did Michigan's national ranking slide? Other states used technology to increase collections within their own states and between states.

Michigan, unfortunately, is one of only three states without a statewide child support computer system. A statewide system would allow all Friend of the Court offices to communicate with each other, other states and other databases as they enforce the state's child support laws.



Because Michigan failed to implement a statewide child support system, the federal government is penalizing Michigan \$39 million this year – money that could have been spent on other critical state priorities. If Michigan fails to implement a statewide system by September 30, 2002, next year's penalty will increase to \$47 million! We cannot afford any more penalties.

The Governor's fiscal year 2002 budget increases child support funding by \$37 million to implement a statewide system that will meet the federal requirements.

A combination of state and federal funds will be used to finally solve this problem.

SERVICES FOR CHILDREN & YOUTH

The Governor's fiscal year 2002 budget augments services for children and youth in several important ways. Some of the most vulnerable children are those who have been removed from their homes due to child abuse or neglect. The Governor's budget increases foster care payment rates by two percent to insure that foster families have sufficient resources for the daily care of these children. In recognition of the increase in adoptions for these hard-to-place children, the adoption subsidy program is boosted by over \$20 million. This includes money for a two percent rate increase, elevating total spending to \$180 million.

Early intervention can help prevent young persons from becoming delinquents. To that end, the ChalleNGe program, operated by the Michigan National Guard since 1999, has shown early success in working with high school drop-outs. The proposed budget increases funding for this diversion program by \$300,000.

Funding for the Children's Waiver program, which serves disabled children who would otherwise need institutional placement, has been increased by over \$2 million. This additional funding will substantially increase payment rates for home care services to help families keep their children at home. Likewise, payment rates for the Children's Special Health Care program have been increased by two percent.

HEALTH CARE & MEDICAID

To maximize the effectiveness of Michigan's Medicaid program, this budget increases state funding and recommends cost containment measures allowing Medicaid dollars to go farther in providing services for those who need them most.

The health care marketplace continues to be affected by a variety of factors, including cost and utilization increases. The Governor's fiscal year 2002 recommendation includes specific policies which respond to these changes. The budget also builds on the current successes in managed care, which have effectively slowed the rate of growth while delivering quality services.

Quality of Health Care Services — Ensuring the quality and accessibility of health care services provided to Medicaid beneficiaries is a primary concern of the State. In fiscal year 2000, of the 1.1 million Medicaid beneficiaries, only one quarter of one percent (0.25%) registered a complaint about their health services.

Though nearly three quarters of all Medicaid beneficiaries are enrolled in Health Maintenance Organizations (HMOs), less than half of the complaints received were from HMO enrollees. This is an indication that Medicaid beneficiaries, including those enrolled in HMOs, are satisfied with the high quality of their health care.

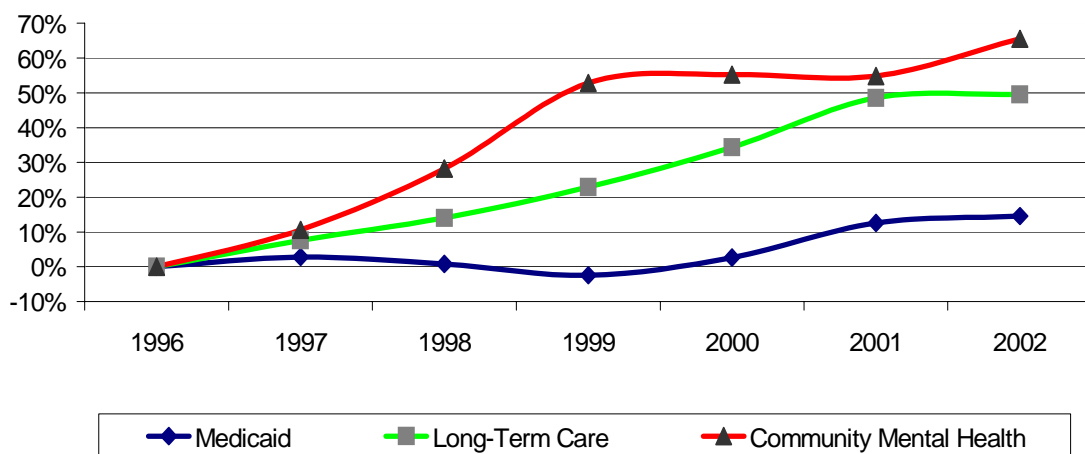
Rate Increases for Providers — In order to insure that providers can maintain quality services for Medicaid recipients, despite the tight revenue picture, the Governor recommends a two percent rate increase for health care providers. Discretionary provider rate increases in the last several years have greatly outpaced the rate of inflation. The cumulative three year cost of optional Medicaid rate increases total more than \$1 billion, \$450 million general fund.

Mental Health Services — There are a number of mental health related policy changes contained in the fiscal year 2002 recommendation. Medicaid capitation payments

erroneously made for individuals not eligible for Medicaid have been removed from the mental health budget. However, in order to protect mental health services for persons with low incomes, this \$34.7 million savings has been reinvested in a three percent rate

increase for Community Mental Health Services Programs. Also included in the recommendation is a change in the payment policy to ensure that mental health programs are reimbursed for the actual cost of providing services to retroactively eligible clients.

**Health Care Growth
Fiscal Years 1996 - 2002**



Building on the success of mental health programs in controlling inpatient hospital costs, the fiscal year 2002 recommendation includes \$68.6 million, \$29.9 million general fund, for the management and administration of psychotropic drugs. As the prescribers of psychotropic medications, mental health programs are in the best position to manage this important health benefit.

Pharmacy Services — Prescription drug costs across the nation are continuing to increase at excessive rates of 15 to 20 percent. Likewise, Michigan is experiencing a rapid cost increase in its pharmaceutical program. At nearly \$490 million, the Medicaid pharmacy Executive recommendation is nearly 85 percent above the fiscal year 1999 expenditure level. Consequently, a number of cost containment

options are included in the fiscal year 2002 recommendation generating a savings of \$16 million. These cost containment options include: decreasing the pharmacy dispensing fee, increasing patient co-payments, collecting manufacturer rebates for non-Medicaid pharmacy drugs, implementing a mail-order pharmacy option, and limiting coverage to cost-effective, therapeutic products.

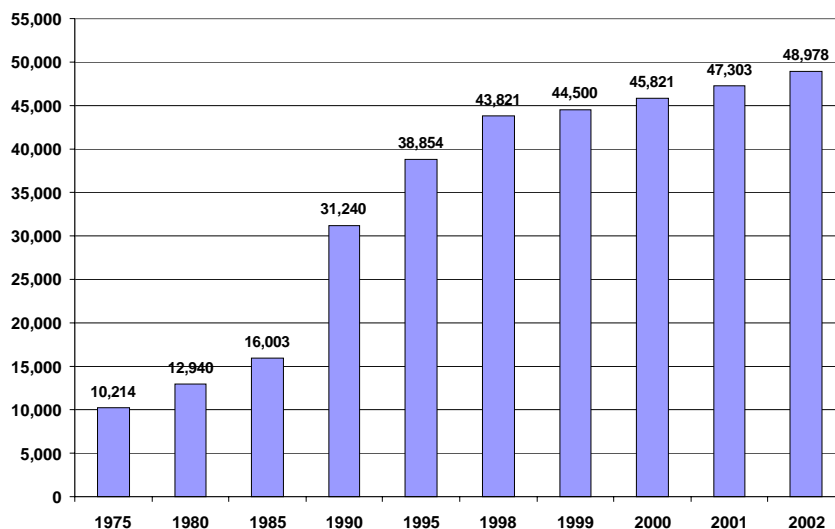
Elder Prescription Insurance Coverage (EPIC) – EPIC will begin October 1, 2001. This new program will replace the Michigan Emergency Pharmaceutical Program for Seniors (MEPPS) as well as the Senior Citizen Prescription Drug Tax Credit program. EPIC is funded at \$50 million in fiscal year 2002, \$30 million more than the combined funding of MEPPS and the tax credit program. EPIC will provide prescription drug benefits to persons 65 years or older with household incomes at or below 200 percent of poverty.

Health Insurance for State Employees and Retirees – The Office of the State Employer is responsible for administration of the state sponsored group insurance plans. Like many private sector plans, health insurance costs for state employees and retirees are growing. In fiscal year 2001, employer paid insurance premiums for active State of Michigan employees will exceed \$460 million and employer premiums for State of Michigan retirees will cost an additional \$260 million. The fiscal year 2002 budget includes an increase of \$55.9 million for employee and retiree health insurance costs.

PUBLIC SAFETY

Investments made to fight crime are paying off. Crime continues to decline, due

Prison / Camp Population



in part to dangerous felons serving longer prison sentences. Governor Engler supported criminal justice legislation that enacted “truth-in-sentencing” and revisions to sentencing guidelines. These policy changes guarantee that minimum sentences are served and that serious felons serve serious sentences.

The Executive recommendation for the Department of Corrections

combines efficiencies achieved throughout the department with an optimized use of available prisoner bed space. The fiscal year 2002 recommendation for the Department of Corrections reflects a general fund increase of 3.4 percent, the smallest increase in four years.

Projected prisoner intake will allow the opening of Bellamy Creek Correctional Facility in Ionia to be delayed for one year. The department will instead open economical “drop-in” housing units at three existing facilities to meet projected prisoner population through 2002.

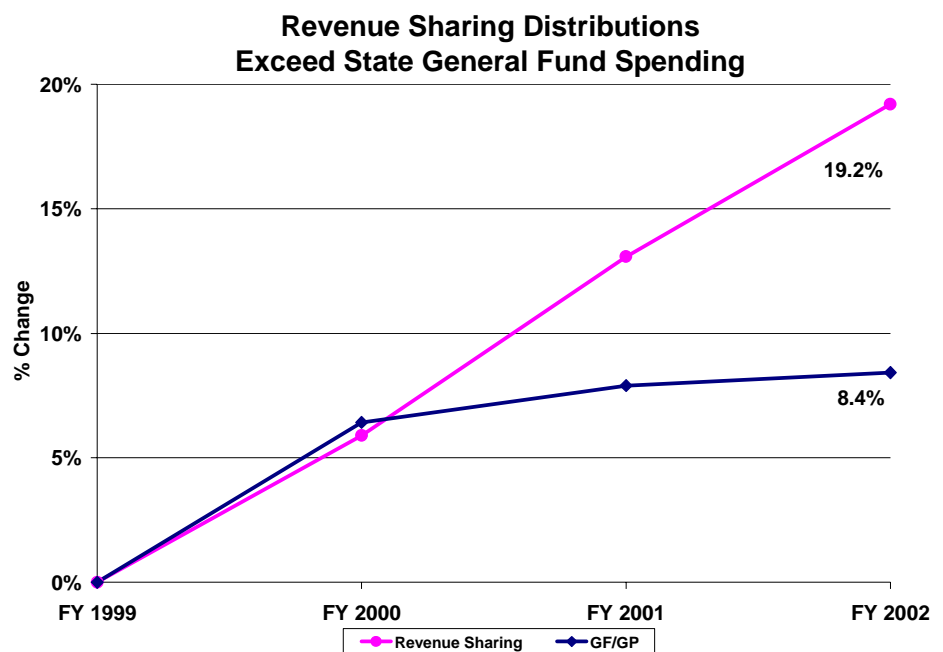
An important component of public safety is the swift solution of crimes – and science is providing more tools to help in that effort. To that end, the fiscal year 2002 budget for the Michigan State Police adds \$1 million for the purchase of new lab equipment and for additional scientists and lab technicians to process DNA samples. To date, the State Police have limited their DNA analyses to crimes with a known suspect. This additional funding will enable them to expand their analyses to help solve cases in which there is no known suspect, but for which there may be a match on the DNA database. This important crime fighting tool will help solve more cases and protect innocent suspects.

REVENUE SHARING

Michigan’s revenue sharing program provides unrestricted financial support to over 1800 units of government, allowing communities to determine how best to fund local

services. The Governor’s budget for fiscal year 2002 includes \$1.65 billion for revenue sharing payments to local communities. This represents an \$85 million or 5.4 percent increase from the current year. The payment to local communities is comprised of a constitutional obligation and a statutory obligation.

The constitutional portion of these payments is estimated at \$683.9 million and is distributed on a per-capita basis to cities, villages, and townships. There is no budgetary discretion involved with constitutional distributions. The remaining \$971.1 million is distributed according to statutory formulas, the total of which is subject to annual appropriation. The Governor’s budget recommends the maximum payment allowed under the statute.



In January of 1999, Governor Engler signed into law a new revenue sharing act. The new law established a more equitable distribution formula for local units of government. The 1999 formula eliminated incentives for local government taxation, equalized disparities in revenue raising capabilities, and recognized the wide variety of services provided by local governments of different sizes and types.

The Governor is proposing several changes to the subsection in the statute which established an 8 percent annual cap on increases for individual communities. This particular subsection also provides for removal of the cap for any community whose population grew by more than ten percent, according to the 2000 census. The proposed changes are necessary to correct drafting errors in the 1999 bill that unfairly impact certain high growth communities.

BUILDING FOR THE 21ST CENTURY

Transportation

Delivering on his commitment to make Michigan's transportation infrastructure second to none, last summer the Governor gave the green light to an innovative new *Build Michigan III* program that will accelerate and advance several key

economic development and congestion relief projects. A comprehensive plan, *Build Michigan III* provides for the immediate investment of nearly \$1 billion in transportation projects that are over and above the Department of Transportation's traditional five-year plan. By investing now in these critical projects, the Governor's *Build Michigan III* plan helps build a foundation for our state's continued economic growth and expansion.

"I-75 work went smoothly . . . Hats off to MDOT and all involved for making what many felt would be a major inconvenience this construction season a relatively minor adjustment."

Flint Journal, June 30, 2000

By employing a road and bridge strategy that provides for a balanced program of resurfacing, reconstruction, and capital preventive maintenance, the state has been able to more effectively address infrastructure needs. The focus on fixing the worst roads and bridges first will help achieve the goal of having 90 percent of these assets in good condition by 2007.

The department's fiscal year 2002 road and bridge program will invest over \$1.5 billion in the state trunkline system, making it the fifth year in a row that the Michigan transportation program has exceeded the billion dollar mark. Minimizing motorist inconvenience in the delivery of these record construction programs continues to be a key priority. Customer-driven initiatives include

increased night work, keeping more lanes open to traffic during construction, providing incentives for early completion, and aggressive public information campaigns to let motorists know the location of construction activity and alternate routes.

One of the Governor's top transportation priorities is the construction of a new 1,000 foot lock at Sault Ste. Marie. The proposed fiscal year 2001 supplemental includes \$4.7 million and statutory language for the creation of a reserve or sinking fund, called the Soo Locks Fund. Principal and interest earnings over the next fifty years will be used to provide payments for Michigan's portion of the non-federal share of the project. The United States Army Corps of Engineers, which owns and operates the Soo Locks facility, is expected to begin preliminary work on the new lock in 2001.

Improving Services to the Citizens

Technology is rapidly transforming the way citizens communicate and conduct business. Therefore, we must embrace technology as a means to make state government more accessible. To this end, the budget recommends \$12 million, \$10 million general fund, in fiscal year 2001 supplemental funding for further development of e-Michigan, an Internet based approach to state government. No longer will citizens need to know the structure of state government in order to access the assistance or information they need.

"Not only will this new office provide services faster using the Internet and Web-based technologies, it will eliminate the frustration of navigating through multiple government agencies to conduct business."

Governor John Engler
Detroit News, April 6, 2000

Organized by common themes such as business services, education, health and family wellness, professional licensing, and travel and recreation, e-Michigan provides access to state services through an easy-to-navigate, user-friendly Web-based interface. Citizens will be able to conduct business with the state at their convenience online, without ever having to wait in line.

Enhancements to the e-Michigan site include e-forms implementation to allow citizens to submit forms electronically, online business start-up services, education related enhancements such as links for students for online homework help, and upgrades to the campground central reservation system to allow boaters to make harbor and marina reservations online. In addition, supplemental funding is provided for the development of Web-based information systems to assist citizens in obtaining health care services and information.

MICHIGAN'S RICH HERITAGE

Protecting and improving the environment for present and future generations continues to be a top priority of Governor Engler. A number of programs supported in the fiscal year 2002 Executive recommendation involve interdepartmental partnerships.

Clean Michigan Initiative (CMI)

Since the signing of Brownfield legislation in 1995, Michigan has made significant progress in cleaning up and redeveloping abandoned land. The fiscal year 2002 recommendation includes \$22 million for cleanup activities to protect public health and the environment. Included in a fiscal year 2001 supplemental recommendation is the final round of local CMI recreation grants, totaling \$12.2 million. These grants are often used to protect and enhance waterfront areas which are of great importance to communities.

Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program is an ambitious state and federal partnership to address significant water quality, soil erosion, and wildlife habitat issues related to agriculture uses. The program is a collaborative effort of the departments of Agriculture, Natural Resources and Environmental Quality, along with interested private organizations and federal support. In the next 15 years, over \$175.5 million will be invested in Michigan's environment, removing targeted lands from agricultural production and providing environmental and wildlife benefits.

"This is just a tremendous idea. We've got a huge runoff problem and because Saginaw Bay is relatively shallow, any kind of agricultural nutrients or chemicals will affect the water balance . . . but CREP will go a long way in helping clean up the Saginaw Bay Watershed."

Terry Miller, Chairman
Lone Tree Council, October 28, 2000

Cooperative Resources Program

Resource management in rural forests, suburban communities and urban centers is vital to sustaining the quality of life in Michigan. A coordinated effort between the Department of Agriculture and the Department of Natural Resources, the Cooperative Resources Program uses local conservation districts as gateways to provide landowners with assistance in actively managing their lands. The fiscal year 2002 recommendation continues \$1.8 million in state support, including \$540,000 for tree planting grants, to help landowners maintain healthy landscapes, a benefit to all Michigan residents.

Land and Water Conservation Fund Grants

The fiscal year 2002 recommendation includes an increase of \$2.6 million in federal land and water conservation fund grants. These grants, leveraged with

state and local funding, are used to acquire and develop land for a variety of public recreation purposes and, by doing so, permanently protect scenic and unique lands.

Great Lakes Water Use

The fiscal year 2002 Executive budget includes \$100,000 in general fund support for increased water use data reporting consistent with the 1985 Great Lakes Charter. This will allow the state to account for water withdrawals from the Great Lakes and set common standards for future withdrawals. This data will be used to support the development of Great Lakes policies and programs to protect Michigan's interests in the valuable Great Lakes resource.

"For his part, Mr. Engler has led the region's governors and the premiers of Ontario and Quebec in drafting proposed new safeguards to head off constitutional and international trade-law challenges that could arise, legal experts say, from refusals by governors and ministers to approve exports of Great Lakes water."

Grand Rapids Press, July 16, 2000

CONCLUSION

This conservative 2002 spending plan recognizes that fiscal restraint is more than just sound economic policy, it's an obligation we have to the men and women who contribute every dollar included in this budget. The spending plan and the \$1.26 billion rainy day fund have prepared our state to withstand any potential slowdown in the state or national economy. The modest increase in general fund revenue growth might prompt speculation that it is time to dip into our rainy day fund. The rainy day fund should be saved for a serious economic downturn to prevent budgetary reductions and not for permanent base spending increases. Our unwavering commitment to fiscal prudence has moved Michigan forward. To reverse our course now would threaten Michigan's economic strength.

Now, our challenge is to build the Next Michigan—to keep up our momentum, to stay in the lead and to shape the future. This budget is a blueprint for the Next Michigan, built on the principles that drove years of steady economic growth—funding the essential, eliminating the unnecessary, and maximizing the return on every tax dollar spent.

The 2002 budget recommendation also reflects the reality of an uncertain national economy and slowing tax revenues. Our continued prudence will preserve our progress and protect our priorities. Never has Michigan been so well prepared to face whatever challenges come our way.

Recommendation Summary

General Fund/General Purpose

Net of Program Transfers

| Department | FY01 Appropriations | FY02 Executive Recommendation | Change FY01 to FY02 | |
|--------------------------------|------------------------|-------------------------------------|------------------------|--------------|
| | | | Amount | Percent |
| Agriculture | \$47,029,800 | \$48,076,200 | \$1,046,400 | 2.22% |
| Attorney General | 35,271,000 | 38,097,900 | 2,826,900 | 8.01% |
| Capital Outlay | 312,815,100 | 347,666,700 | 34,851,600 | 11.14% |
| Career Development | 25,458,600 | 36,538,400 | 11,079,800 | 43.52% |
| Civil Rights | 14,338,500 | 14,890,800 | 552,300 | 3.85% |
| Civil Service | 11,218,900 | 11,446,100 | 227,200 | 2.03% |
| Community Health | 2,686,991,200 | 2,729,424,800 | 42,433,600 | 1.58% |
| Consumer and Industry Services | 83,762,300 | 85,376,800 | 1,614,500 | 1.93% |
| Corrections | 1,619,600,500 | 1,674,940,500 | 55,340,000 | 3.42% |
| Education | 34,678,700 | 34,649,500 | (29,200) | -0.08% |
| Environmental Quality | 99,906,200 | 103,175,300 | 3,269,100 | 3.27% |
| Executive Office | 5,679,600 | 5,819,900 | 140,300 | 2.47% |
| Family Independence Agency | 1,216,997,500 | 1,199,738,500 | (17,259,000) | -1.42% |
| Higher Education: | | | | |
| Community Colleges | 315,011,700 | 321,196,319 | 6,184,619 | 1.96% |
| Universities/Grants & Fin. Aid | 1,785,850,600 | 1,821,568,516 | 35,717,916 | 2.00% |
| Judiciary | 170,316,800 | 181,764,200 | 11,447,400 | 6.72% |
| Legislature | 104,978,900 | 112,015,100 | 7,036,200 | 6.70% |
| Legislative Auditor General | 13,183,500 | 13,731,200 | 547,700 | 4.15% |
| Library of Michigan | 35,197,400 | 35,276,300 | 78,900 | 0.22% |
| Management and Budget | 46,960,800 | 47,119,500 | 158,700 | 0.34% |
| Michigan Strategic Fund | 65,602,900 | 66,271,600 | 668,700 | 1.02% |
| Military and Veterans Affairs | 41,856,900 | 42,784,800 | 927,900 | 2.22% |
| Natural Resources | 55,958,600 | 56,220,400 | 261,800 | 0.47% |
| School Aid | 385,613,500 | 205,613,500 | (180,000,000) | -46.68% |
| State | 65,130,200 | 67,904,200 | 2,774,000 | 4.26% |
| State Police | 301,563,400 | 307,922,200 | 6,358,800 | 2.11% |
| Transportation | 0 | 0 | 0 | 0.00% |
| Treasury | 69,450,200 | 64,103,100 | (5,347,100) | -7.70% |
| Debt Service | 90,870,500 | 111,295,000 | 20,424,500 | 22.48% |
| TOTAL | \$9,741,293,800 | \$9,784,627,335 | 43,333,535 | 0.44% |

Recommendation Summary

Federal Funds
Net of Program Transfers

| Department | FY01 Appropriations | FY02 Executive Recommendation | Change FY01 to FY02 | |
|--------------------------------|------------------------|-------------------------------------|------------------------|--------------|
| | | | Amount | Percent |
| Agriculture | \$6,037,000 | \$5,806,100 | (230,900) | -3.82% |
| Attorney General | 7,124,800 | 7,624,800 | 500,000 | 7.02% |
| Capital Outlay | 99,361,000 | 106,332,000 | 6,971,000 | 7.02% |
| Career Development | 468,818,800 | 463,699,900 | (5,118,900) | -1.09% |
| Civil Rights | 934,000 | 934,000 | 0 | 0.00% |
| Civil Service | 4,779,100 | 4,779,100 | 0 | 0.00% |
| Community Health | 4,461,470,600 | 4,621,518,200 | 160,047,600 | 3.59% |
| Consumer and Industry Services | 237,626,000 | 240,725,500 | 3,099,500 | 1.30% |
| Corrections | 26,633,600 | 26,532,400 | (101,200) | -0.38% |
| Education | 873,591,700 | 890,026,700 | 16,435,000 | 1.88% |
| Environmental Quality | 129,343,800 | 130,777,500 | 1,433,700 | 1.11% |
| Executive Office | 0 | 0 | 0 | 0.00% |
| Family Independence Agency | 2,204,258,650 | 2,306,346,150 | 102,087,500 | 4.63% |
| Higher Education: | | | | |
| Community Colleges | 0 | 0 | 0 | 0.00% |
| Universities/Grants & Fin. Aid | 3,900,000 | 4,900,000 | 1,000,000 | 25.64% |
| Judiciary | 2,826,600 | 3,363,200 | 536,600 | 18.98% |
| Legislature | 0 | 0 | 0 | 0.00% |
| Legislative Auditor General | 0 | 0 | 0 | 0.00% |
| Library of Michigan | 4,557,400 | 4,557,400 | 0 | 0.00% |
| Management and Budget | 550,500 | 380,300 | (170,200) | -30.92% |
| Michigan Strategic Fund | 52,673,200 | 62,934,400 | 10,261,200 | 19.48% |
| Military and Veterans Affairs | 35,952,600 | 36,188,100 | 235,500 | 0.66% |
| Natural Resources | 24,649,100 | 27,072,900 | 2,423,800 | 9.83% |
| School Aid | 145,000,000 | 145,000,000 | 0 | 0.00% |
| State | 2,704,700 | 3,158,000 | 453,300 | 16.76% |
| State Police | 34,329,300 | 38,251,000 | 3,921,700 | 11.42% |
| Transportation | 915,449,000 | 984,483,900 | 69,034,900 | 7.54% |
| Treasury | 33,800,000 | 33,490,000 | (310,000) | -0.92% |
| Debt Service | 0 | 0 | 0 | 0.00% |
| TOTAL | \$9,776,371,450 | \$10,148,881,550 | \$372,510,100 | 3.81% |

Recommendation Summary

Other State, Private and Local Funds

Net of Program Transfers

| Department | FY01 Appropriations | FY02 Executive Recommendation | Change FY01 to FY02 | |
|--------------------------------|-------------------------|-------------------------------------|------------------------|--------------|
| | | | Amount | Percent |
| Agriculture | \$35,771,600 | \$35,631,100 | (140,500) | -0.39% |
| Attorney General | 9,524,000 | 9,793,500 | 269,500 | 2.83% |
| Capital Outlay | 96,419,200 | 54,759,000 | (41,660,200) | -43.21% |
| Career Development | 28,129,000 | 28,819,000 | 690,000 | 2.45% |
| Civil Rights | 0 | 0 | 0 | 0.00% |
| Civil Service | 11,107,600 | 11,352,900 | 245,300 | 2.21% |
| Community Health | 1,342,328,800 | 1,346,126,800 | 3,798,000 | 0.28% |
| Consumer and Industry Services | 208,259,100 | 209,417,200 | 1,158,100 | 0.56% |
| Corrections | 50,913,800 | 49,571,200 | (1,342,600) | -2.64% |
| Education | 20,704,900 | 18,793,900 | (1,911,000) | -9.23% |
| Environmental Quality | 252,847,100 | 164,794,800 | (88,052,300) | -34.82% |
| Executive Office | 0 | 0 | 0 | 0.00% |
| Family Independence Agency | 169,801,350 | 153,187,750 | (16,613,600) | -9.78% |
| Higher Education: | | | | |
| Community Colleges | 10,000,000 | 10,000,000 | 0 | 0.00% |
| Universities/Grants & Fin. Aid | 115,250,000 | 130,273,845 | 15,023,845 | 13.04% |
| Judiciary | 60,162,100 | 60,044,300 | (117,800) | -0.20% |
| Legislature | 1,441,800 | 1,441,800 | 0 | 0.00% |
| Legislative Auditor General | 266,600 | 266,600 | 0 | 0.00% |
| Library of Michigan | 161,900 | 161,900 | 0 | 0.00% |
| Management and Budget | 43,905,200 | 42,923,200 | (982,000) | -2.24% |
| Michigan Strategic Fund | 50,706,700 | 50,900,000 | 193,300 | 0.38% |
| Military and Veterans Affairs | 23,363,200 | 23,735,800 | 372,600 | 1.59% |
| Natural Resources | 185,486,800 | 168,139,000 | (17,347,800) | -9.35% |
| School Aid | 10,401,721,500 | 11,170,439,800 | 768,718,300 | 7.39% |
| State | 63,646,100 | 64,804,400 | 1,158,300 | 1.82% |
| State Police | 46,726,900 | 50,484,700 | 3,757,800 | 8.04% |
| Transportation | 2,052,796,100 | 2,142,724,300 | 89,928,200 | 4.38% |
| Treasury | 1,843,483,800 | 1,901,624,200 | 58,140,400 | 3.15% |
| Debt Service | 700,000 | 700,000 | 0 | 0.00% |
| TOTAL | \$17,125,625,150 | \$17,900,910,995 | \$775,285,845 | 4.53% |

Recommendation Summary

All Funds
Net of Program Transfers

| Department | FY01* Appropriations | FY02** Executive Recommendation | Change FY01 to FY02 | |
|--------------------------------|-------------------------|---------------------------------------|------------------------|--------------|
| | | | Amount | Percent |
| Agriculture | \$98,519,200 | \$100,501,100 | \$1,981,900 | 2.01% |
| Attorney General | 61,393,500 | 65,248,100 | 3,854,600 | 6.28% |
| Capital Outlay | 515,595,300 | 515,757,700 | 162,400 | 0.03% |
| Career Development | 523,454,400 | 530,105,300 | 6,650,900 | 1.27% |
| Civil Rights | 15,272,500 | 15,824,800 | 552,300 | 3.62% |
| Civil Service | 30,405,600 | 30,878,100 | 472,500 | 1.55% |
| Community Health | 8,562,877,900 | 8,771,577,200 | 208,699,300 | 2.44% |
| Consumer and Industry Services | 529,756,600 | 535,631,300 | 5,874,700 | 1.11% |
| Corrections | 1,703,858,400 | 1,757,272,000 | 53,413,600 | 3.13% |
| Education | 929,493,300 | 943,470,100 | 13,976,800 | 1.50% |
| Environmental Quality | 499,608,800 | 416,556,600 | (83,052,200) | -16.62% |
| Executive Office | 5,679,600 | 5,819,900 | 140,300 | 2.47% |
| Family Independence Agency | 3,591,822,500 | 3,660,237,700 | 68,415,200 | 1.90% |
| Higher Education: | | | | |
| Community Colleges | 325,011,700 | 331,196,319 | 6,184,619 | 1.90% |
| Universities/Grants & Fin. Aid | 1,905,000,600 | 1,956,742,361 | 51,741,761 | 2.72% |
| Judiciary | 236,914,000 | 247,990,200 | 11,076,200 | 4.68% |
| Legislature | 106,420,700 | 113,456,900 | 7,036,200 | 6.61% |
| Legislative Auditor General | 15,059,700 | 15,607,400 | 547,700 | 3.64% |
| Library of Michigan | 39,916,700 | 39,995,600 | 78,900 | 0.20% |
| Management and Budget | 163,529,800 | 175,936,600 | 12,406,800 | 7.59% |
| Michigan Strategic Fund | 169,082,800 | 180,206,000 | 11,123,200 | 6.58% |
| Military and Veterans Affairs | 101,172,700 | 102,818,700 | 1,646,000 | 1.63% |
| Natural Resources | 269,773,900 | 254,849,200 | (14,924,700) | -5.53% |
| School Aid | 10,932,335,000 | 11,521,053,300 | 588,718,300 | 5.39% |
| State | 186,385,200 | 191,680,700 | 5,295,500 | 2.84% |
| State Police | 405,926,100 | 415,210,800 | 9,284,700 | 2.29% |
| Transportation | 2,978,704,600 | 3,138,667,700 | 159,963,100 | 5.37% |
| Treasury | 1,955,912,400 | 2,008,454,300 | 52,541,900 | 2.69% |
| Debt Service | 91,570,500 | 111,995,000 | 20,424,500 | 22.30% |
| TOTAL | \$36,950,454,000 | \$38,154,740,980 | \$1,204,286,980 | 3.26% |

Note: * FY01 All Funds includes Interdepartmental Grants and Intradepartmental Transfers of \$307,163,600.

** FY2002 All Funds includes Interdepartmental Grants and Intradepartmental Transfers of \$320,221,100.

Fiscal Year 2002

Executive Budget Recommendation

(Amounts in Thousands)

| Department | FY01 Current Law | | FY02 Executive Budget Recommendation | |
|--------------------------------|---------------------|--------------------|---|--------------------|
| | Gross | GF/GP | Gross | GF/GP |
| Agriculture | 98,519.2 | 47,029.8 | 100,501.1 | 48,076.2 |
| Attorney General | 61,393.5 | 35,271.0 | 65,248.1 | 38,097.9 |
| Capital Outlay | 515,595.3 | 312,815.1 | 515,757.7 | 347,666.7 |
| Career Development | 523,454.4 | 25,458.6 | 530,105.3 | 36,538.4 |
| Civil Rights | 15,272.5 | 14,338.5 | 15,824.8 | 14,890.8 |
| Civil Service | 30,405.6 | 11,218.9 | 30,878.1 | 11,446.1 |
| Community Health | 8,562,877.9 | 2,686,991.2 | 8,771,577.2 | 2,729,424.8 |
| Consumer and Industry Services | 529,756.6 | 83,762.3 | 535,631.3 | 85,376.8 |
| Corrections | 1,703,858.4 | 1,619,600.5 | 1,757,272.0 | 1,674,940.5 |
| Education | 929,493.3 | 34,678.7 | 943,470.1 | 34,649.5 |
| Environmental Quality | 499,608.8 | 99,906.2 | 416,556.6 | 103,175.3 |
| Executive Office | 5,679.6 | 5,679.6 | 5,819.9 | 5,819.9 |
| Family Independence Agency | 3,591,822.5 | 1,216,997.5 | 3,660,237.7 | 1,199,738.5 |
| Higher Education: | | | | |
| Community Colleges | 325,011.7 | 315,011.7 | 331,196.3 | 321,196.3 |
| Universities/Grants & Fin. Aid | 1,905,000.6 | 1,785,850.6 | 1,956,742.4 | 1,821,568.5 |
| Judiciary | 236,914.0 | 170,316.8 | 247,990.2 | 181,764.2 |
| Legislature | 106,420.7 | 104,978.9 | 113,456.9 | 112,015.1 |
| Legislative Auditor General | 15,059.7 | 13,183.5 | 15,607.4 | 13,731.2 |
| Library of Michigan | 39,916.7 | 35,197.4 | 39,995.6 | 35,276.3 |
| Management and Budget | 163,529.8 | 46,960.8 | 175,936.6 | 47,119.5 |
| Michigan Strategic Fund | 169,082.8 | 65,602.9 | 180,206.0 | 66,271.6 |
| Military and Veterans Affairs | 101,172.7 | 41,856.9 | 102,818.7 | 42,784.8 |
| Natural Resources | 269,773.9 | 55,958.6 | 254,849.2 | 56,220.4 |
| School Aid | 10,932,335.0 | 385,613.5 | 11,521,053.3 | 205,613.5 |
| State | 186,385.2 | 65,130.2 | 191,680.7 | 67,904.2 |
| State Police | 405,926.1 | 301,563.4 | 415,210.8 | 307,922.2 |
| Transportation | 2,978,704.6 | 0.0 | 3,138,667.7 | 0.0 |
| Treasury | 1,955,912.4 | 69,450.2 | 2,008,454.3 | 64,103.1 |
| Debt Service | 91,570.5 | 90,870.5 | 111,995.0 | 111,295.0 |
| | | | | |
| TOTAL | 36,950,454.0 | 9,741,293.8 | 38,154,740.0 | 9,784,627.3 |

State Spending from State Sources and Payments to Local Units of Government

| | State Spending From <u>State Sources</u> | Payments to Local <u>Units of Government</u> |
|--------------------------------|---|---|
| Agriculture | \$82,585,400 | \$4,600,000 |
| Attorney General | 46,719,800 | 0 |
| Capital Outlay | 375,975,700 | 28,125,000 |
| Career Development | 47,982,900 | 0 |
| Civil Rights | 14,890,800 | 0 |
| Civil Service | 20,949,000 | 0 |
| Community Health | 3,104,899,000 | 995,776,700 |
| Consumer and Industry Services | 294,054,000 | 34,871,000 |
| Corrections | 1,724,162,100 | 81,743,400 |
| Education | 47,946,500 | 15,299,200 |
| Environmental Quality | 266,403,000 | 7,944,900 |
| Executive Office | 5,819,900 | 0 |
| Family Independence Agency | 1,252,972,400 | 173,938,400 |
| Higher Education: | | |
| Community Colleges | 331,196,319 | 321,196,319 |
| Universities/Financial Aid | 1,951,842,361 | 4,050,073 |
| Judiciary | 238,053,100 | 117,432,900 |
| Legislature | 113,056,900 | 0 |
| Legislative Auditor General | 13,997,800 | 0 |
| Library of Michigan | 35,363,200 | 21,696,100 |
| Management and Budget | 90,042,700 | 0 |
| Michigan Strategic Fund | 116,321,600 | 0 |
| Military and Veterans Affairs | 66,040,600 | 120,000 |
| Natural Resources | 222,610,600 | 22,737,900 |
| School Aid | 11,376,053,300 | 11,121,136,400 |
| State | 132,206,100 | 69,800 |
| State Police | 354,493,200 | 20,081,300 |
| Transportation | 2,136,924,300 | 1,186,506,800 |
| Treasury | 2,076,072,200 | 1,747,388,600 |
| | <hr/> | <hr/> |
| Total | <u><u>\$26,539,634,780</u></u> | <u><u>\$15,904,714,792</u></u> |

Percentage of State Spending from State Sources
as Payments to Local Units of Government

59.93%

State School Aid

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|----------------|----------------|----------------|
| GF/GP | \$749,134.1 | | | \$420,613.5 | \$385,613.5 | \$205,613.5 |
| All Funds | \$2,992,824.9 | | | \$10,200,829.3 | \$10,932,335.0 | \$11,521,053.3 |
| | % Change - GF/GP | | | | -8.32% | -46.68% |
| | % Change - All Funds | | | | 7.17% | 5.39% |

| KEY ISSUES | GF/GP | All Funds |
|---|---------------|------------------|
| Net Increases - Proposal A 1994-95 Obligation Payment, Headlee Special Education Obligation Payment, and Discretionary Payment, based on \$300 Per Pupil Increase and Changes to Pupil Counts and Local Revenue Estimates | \$0.0 | \$445,700.0 |
| Provide Equity Payment to Raise Minimum Foundation Grant to \$6,500 Per Pupil | \$0.0 | \$128,600.0 |
| Increase Other Special Education Funding (non-Headlee) | \$0.0 | \$17,040.0 |
| Increase At-Risk Funding by 5.0% to \$319.2 Million | \$0.0 | \$15,200.0 |
| Increase Full Day School Readiness Program Funding to \$25 Million | \$0.0 | \$5,000.0 |
| Increase ISD Operations Funding by 5.0% to \$92.2 Million | \$0.0 | \$4,389.1 |
| Increase Accreditation Assistance Grant to the Department of Education to \$5 Million | \$0.0 | \$2,000.0 |
| Convert all Math/Science Satellites to Full Centers and Provide Inflationary Increases | \$0.0 | \$1,487.2 |
| Eliminate One-Time Funding for: | | |
| - Grants to Small Districts with High Local Revenue | \$0.0 | (\$1,050.0) |
| - Curriculum Development | \$0.0 | (\$1,200.0) |
| - Autism Programs | \$0.0 | (\$2,500.0) |
| - Michigan Virtual High School Start-Up Costs, Continue Ongoing Support of \$1.5 Million | \$0.0 | (\$13,500.0) |
| - Detroit Supplemental Payment | \$0.0 | (\$15,000.0) |
| Replace General Fund with School Aid Fund Revenue | (\$180,000.0) | \$0.0 |
| Other Adjustments | <u>\$0.0</u> | <u>\$2,552.0</u> |
| Subtotal | (\$180,000.0) | \$588,718.3 |
| FY 2002 Enacted School Aid Budget | \$205,613.5 | \$11,521,053.3 |

State School Aid

(Amounts In Thousands)

Funding History

| | FY90 | | | FY01 | FY02 | FY03 |
|-----------|----------------------|--|--|----------------|----------------|----------------|
| GF/GP | \$749,134.1 | | | \$385,613.5 | \$205,613.5 | \$420,613.5 |
| All Funds | \$2,992,824.9 | | | \$10,932,335.0 | \$11,521,053.3 | \$11,885,323.8 |
| | % Change - GF/GP | | | | -46.68% | 104.57% |
| | % Change - All Funds | | | | 5.39% | 3.16% |

KEY ISSUES

| | GF/GP | All Funds |
|---|--------------------|-----------------------|
| Net Increases - Proposal A 1994-95 Obligation Payment, Headlee Special Education Obligation Payment, and Discretionary Payment, based on \$200 Per Pupil Increase and Changes to Pupil Counts and Local Revenue Estimates | \$0.0 | \$445,100.0 |
| Eliminate FY02 Equity Payment | \$0.0 | (\$128,600.0) |
| Increase Other Special Education Funding (non-Headlee) | \$0.0 | \$11,850.0 |
| Increase Summer School Funding to \$50 Million | \$0.0 | \$12,000.0 |
| Increase At-Risk Funding by 3.1% to \$329.1 Million | \$0.0 | \$9,895.2 |
| Increase Full Day School Readiness Program Funding to \$30 Million | \$0.0 | \$5,000.0 |
| Increase ISD Operations Funding by 3.1% to \$95 Million | \$0.0 | \$2,857.3 |
| Increase Accreditation Assistance Grant to the Department of Education to \$10 Million | \$0.0 | \$5,000.0 |
| Increase General Fund Support | \$215,000.0 | \$0.0 |
| Other Adjustments | <u>\$0.0</u> | <u>\$1,168.0</u> |
| Subtotal | \$215,000.0 | \$364,270.5 |
| FY 2003 Enacted School Aid Budget | \$420,613.5 | \$11,885,323.8 |

School Aid

Last summer, Governor Engler signed a multi-year School Aid budget, providing unprecedented levels of funding for the 1.7 million students attending Michigan's public schools. The multi-year budget contained supplemental appropriations for fiscal years 2000 and 2001 and comprehensive budgets for fiscal years 2002 and 2003. State spending will increase to \$11.4 billion in fiscal year 2002, a \$589 million or 5.5 percent increase from the current year. In fiscal year 2002, for the fifth year in a row, the state will spend more in state dollars on K-12 education than is spent in the entire general fund budget.

When local school operating property taxes are combined with state appropriations, total state and local funding for schools is estimated to exceed \$14.2 billion in fiscal year 2002, and \$14.7 billion in fiscal year 2003, an increase of approximately 86 percent since 1990.

Various state revenues are dedicated to the State School Aid Fund in fiscal year 2002. Dedicated taxes include \$5.5 billion from sales and use taxes, \$2.2 billion from income taxes, \$1.9 billion from property-related taxes, \$400 million from tobacco and liquor taxes, and \$700 million from gambling revenues. The School Aid budget is also supported by other non-dedicated revenues, including a general fund contribution and federal special education funds.

The January 2001 Consensus Revenue Estimating Conference estimate of dedicated school aid revenues for fiscal years 2000 through 2003 was significantly lowered. Because the Legislature and Governor agreed last spring not to appropriate all of the previously estimated revenues in the multi-year School Aid budget, this decrease in estimated revenues can be absorbed without having to reduce enacted appropriations. The projected balance in the School Aid Fund at the end of fiscal year 2003 is now less than \$55 million.

*School
Aid Fund
balance
less than
\$55
million
by 2003*

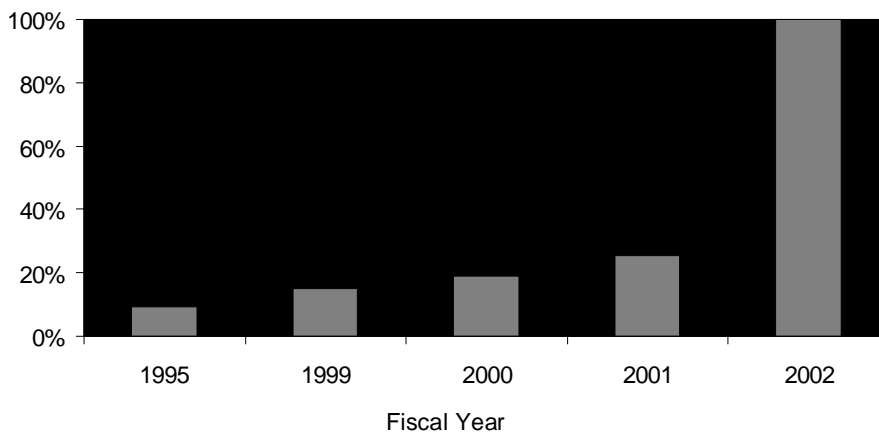
| SCHOOL AID FUND BALANCES (in Millions) | | | | |
|---|----------------|----------------|----------------|---------------|
| | FY2000 | FY2001 | FY2002 | FY2003 |
| Revenues | | | | |
| Beginning Balance | \$572.8 | \$853.4 | \$668.8 | \$209.0 |
| Dedicated Current Year Revenues | 9,889.2 | 10,185.1 | 10,678.6 | 11,132.4 |
| General Fund | 420.6 | 385.6 | 205.6 | 420.6 |
| Budget Stabilization Fund | 32.0 | 32.0 | 32.0 | 32.0 |
| Federal Funds | 125.0 | 145.0 | 145.0 | 145.0 |
| Bookclosing Adjustments | 12.6 | N/A | N/A | N/A |
| Available School Aid Revenues | 11,052.2 | 11,601.1 | 11,730.0 | 11,939.0 |
| Expenditures | | | | |
| Appropriations in PA 297 of 2000 | (10,200.8) | (10,932.3) | (11,521.0) | (11,885.3) |
| Bookclosing Adjustments | 2.0 | N/A | N/A | N/A |
| Total Expenditures | (\$10,198.8) | (\$10,932.3) | (\$11,521.0) | (\$11,885.3) |
| Estimated Ending Balance | \$853.4 | \$668.8 | \$209.0 | \$53.7 |

Dramatic Increases in Per Pupil Funding

With the implementation of school finance reform in fiscal year 1995, a minimum foundation level of \$4,200 per pupil was established. Of Michigan's 555 school districts, only 52 "wealthy" districts were funded at more than \$6,500 per pupil. These 52 districts were authorized to levy additional local millages to support that higher spending level.

In fiscal year 2002, an equity payment of up to \$200 per pupil establishes a new benchmark in per pupil spending - every district will receive at least \$6,500 per

Percent of Districts At or Above \$6,500 Per Pupil



pupil. Per pupil funding that was considered exceptional just a few years ago will become universal. In fiscal year 2003, every district will receive at least \$6,700 per pupil, surpassing the level of the so-called "wealthy" districts. This is a \$1,000 per pupil increase from the fiscal year 2000 minimum foundation - a 17.5 percent increase in just three years and a 60 percent increase over fiscal year 1995 minimum levels.

Every district will receive at least \$6,500 per pupil in fiscal year 2002

Early Intervention Programs

The enacted School Aid budget invests more than \$850 million over three years to fund the All Students Achieve Program (ASAP), which includes a number of early intervention initiatives to help all students achieve educational success. The programs funded under ASAP are designed to improve parenting skills, improve school readiness, reduce the number of pupils retained in grade, and reduce the number of pupils requiring special education services.

To improve school readiness and foster the maintenance of stable families, \$45 million is appropriated annually for parental involvement and education programs designed for all families of children from birth to age five. The programs encourage positive parenting skills, educate parents on child development, and promote access to needed community services through a community-school-home partnership.

The state's school readiness program will prepare nearly 26,000 academically at-risk 4-year-olds to enter kindergarten. The school readiness program began as a pilot program in 1985-86 with funding of \$1 million, serving less than 1,000 children. The program has grown to an annual funding level of \$85.5 million and now offers, through a competitive grant process, a \$25 million wrap-around full day program (increasing to \$30 million in fiscal year 2003) to allow more children of working parents to take advantage of the part-time preschool program.

Students in pre-kindergarten through grade four who are not reading at grade level will receive help from the Literacy Achievement Program, a \$50 million appropriation for projects that focus on accelerating student achievement and reducing the number of pupils requiring special education services. An additional \$5 million is available annually for teacher training in reading instruction and assessment and \$2.5 million is provided annually for preschool reading readiness kits.

Reinforcing the Governor's commitment that every child perform schoolwork at the appropriate grade level by the fourth grade, the School Aid budget provides \$38 million in fiscal year 2002 and \$50 million in fiscal year 2003 to offer summer school programs in reading and mathematics to students in grades one through four who need extra help.

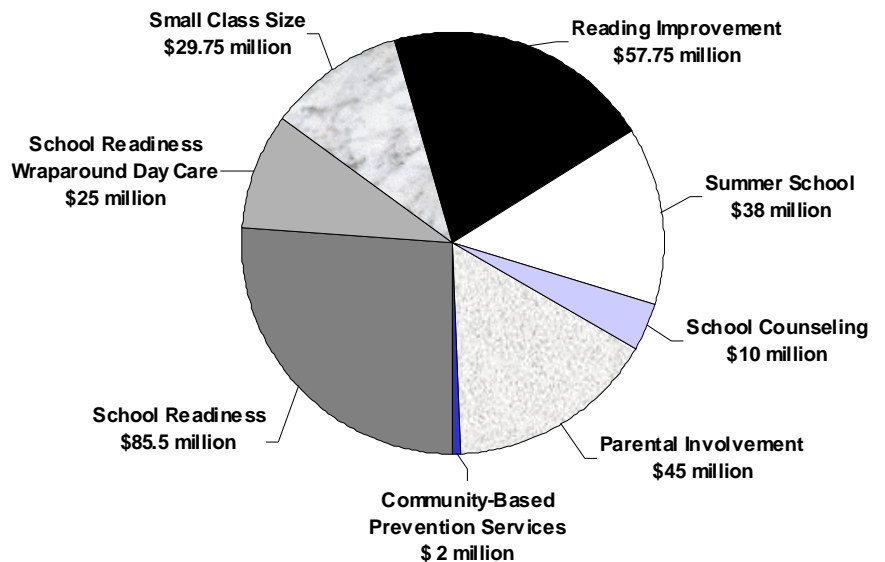
The School Aid Act's \$10 million increase (from \$19.8 million to \$29.8 million) for class size reduction grants for kindergarten through the third grade will enable additional school districts to reduce class sizes and, thereby, give students more individual attention, make classrooms more orderly, and help children master reading and other basic skills. When this increased funding is combined with other state and federal class size reduction dollars, every school district and public school academy will have resources to focus on reducing the size of early grade classrooms.

Expanding Opportunities Through Technology

The Teacher Technology Initiative supports teaching and learning in Michigan's public schools through a significant, one-time investment of \$110 million. These funds provide public school teachers with a personal computer, software, remote Internet access, and online courses in basic computer and information literacy. Alternatively, teachers in each school may vote to spend the funds on additional teacher professional development in technology or other technology-related improvements. Examples of technology improvements include instructional tools such as software and online information services, peripheral devices such as scanners, printers, data projectors, and digital cameras, and building or classroom-level network infrastructure. Decisions regarding the use of funds are made at the school building level. The Michigan Virtual University is currently working with the entire education community to oversee the implementation of this project.

In his 2000 State of the State address, the Governor announced the creation of the Michigan Virtual High School, also under the purview of the Michigan Virtual University. Start-up funding of \$15 million is provided in fiscal year 2001 for this

Fiscal Year 2002 All Students Achieve Programs \$293 Million Annual Appropriation



*All
Students
Achieve
programs
improve
early
education
success*

"...this will be a real plus to teachers who want to do lesson plans and research at home. It's absolutely fantastic."

Judy Eggly, Detroit Public Schools second-grade teacher, September 25, 2000

initiative, along with ongoing support of \$1.5 million in fiscal years 2002 and 2003. The Virtual High School is expected to be operational for the 2001-2002 academic year and will serve:

- School districts that are unable to offer a wide selection of courses due to low enrollment or high costs.
- Students who want an opportunity to challenge themselves and earn advanced placement or college credit while still in high school.
- At-risk students.
- Gifted and talented students.
- Home-schooled and home-bound students.
- Children with special needs.
- Adult learners pursuing their general educational development certificate (G.E.D.).

Another area of focus for the Michigan Virtual High School will be teacher professional development programs and services.

Executive Order 2000-9 established the Center for Educational Performance and Information, a temporary, two-year agency. The center, funded by a \$10 million appropriation in the School Aid Act, will establish a single repository of educational data that can be shared electronically to enhance the quality, accessibility and usefulness of information on school performance. In addition, through a partnership between the State of Michigan and Standard & Poor's, a leading financial services provider, information will be provided to the public to allow citizens to view the performance of their district, neighboring districts, districts elsewhere in the state, and the state as a whole.

Rewarding Success

In his 2000 State of the State address, Governor Engler also announced the new Golden Apple Award, an academic competition that rewards local elementary

"Anytime, anywhere schools can be recognized, that's good."

Patricia Newby, Superintendent of the Grand Rapids Public Schools, December, 2000

schools for their students' achievement on the fourth and fifth grade Michigan Education Assessment Program (MEAP) tests. On December 7, 2000, Governor Engler was proud to recognize the first Golden Apple Award winners - 184 of the highest achieving and most improved public elementary schools in the state. K-5 elementary schools can qualify for a Golden Apple Award in fiscal year 2002 if they meet the following criteria:

- At least 90 percent of their students take the MEAP test, and
- The composite score for the students taking the MEAP test increases at least 60 points over the past three academic years; and/or
- Their test scores are among the highest elementary school scores in the state for that school year.

Each winning school receives \$10,000, plus an additional \$1,000 per full-time employee of the school (minimum awards of \$50,000), to be used for school improvements. Employees decide, by a majority vote, how the funds will be spent.

Meeting the State's Constitutional Obligations

The School Aid Act was restructured to satisfy the state's constitutional obligations that were at issue in a recent Court of Appeals decision (Durant II). The constitutional issues involved special education funding (Headlee) and the 1994-95 per pupil revenue guaranteed by Proposal A. The Court ruled that the state had properly funded its Headlee obligations under the Michigan Constitution related to special education and special education transportation. However, it further ruled that funds guaranteed by Proposal A for 1994-95 per pupil revenue could not also be used to satisfy the state's Headlee obligations.

To comply with the Court's ruling, beginning in fiscal year 2001:

- A Proposal A obligation payment is made to school districts for all general education and special education pupils based upon their 1994-95 foundation allowance.
- A Headlee obligation payment is made to school districts based upon court-calculated payment requirements of 28.6138 percent of total approved special education costs and 70.4165 percent of total approved special education transportation costs.

Other Revisions for Fiscal Years 2002 and 2003

The School Aid Act contains several other revisions to the 2002 and 2003 fiscal years' appropriations. The at-risk program, intermediate school district operations, and mathematics and science centers are all increased by 5 percent in fiscal year 2002 and 3.1 percent in fiscal year 2003. During the 2001 and 2002 fiscal years, funding is provided to convert the remaining eight mathematics and science satellite extensions to full centers. Funding for technical assistance to districts for school accreditation purposes increases to \$5 million in fiscal year 2002, and to \$10 million in fiscal year 2003.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|---|
| <p>Increase the percentage of 4th and 7th grade students attaining satisfactory scores on the MEAP mathematics and reading tests by 2.0%:</p> <p>4th Grade Math 4th Grade Reading</p> <p>7th Grade Math 7th Grade Reading</p> | <p>71.7% 59.4%</p> <p>63.2% 53.0%</p> | <p>74.8% 58.2%</p> <p>62.8% 48.3%</p> | <p>+2.0% +2.0%</p> <p>+2.0% +2.0%</p> | <p>+2.0% +2.0%</p> <p>+2.0% +2.0%</p> |
| <p>Increase the percentage of 5th and 8th grade students attaining satisfactory scores on the MEAP science, writing and social studies tests by 2.0%:</p> <p>5th Grade Science 5th Grade Writing 5th Grade Social Studies</p> <p>8th Grade Science 8th Grade Writing 8th Grade Social Studies</p> | <p>37.5% 54.8% 18.7%</p> <p>23.0% 63.5% 27.8%</p> | <p>43.6% 67.8% 20.6%</p> <p>24.2% 66.8% 30.8%</p> | <p>+2.0% +2.0% +2.0%</p> <p>+2.0% +2.0% +2.0%</p> | <p>+2.0% +2.0% +2.0%</p> <p>+2.0% +2.0% +2.0%</p> |
| <p>Increase the percentage of high school students attaining satisfactory scores on the MEAP mathematics, reading, science, writing, and social studies tests by 2.0%:</p> <p>Math Reading Science Writing Social Studies</p> | <p>63.6% 67.3% 51.0% 52.5% 23.7%</p> | <p>64.8% 69.4% 55.6% 58.4% 24.1%</p> | <p>+2.0% +2.0% +2.0% +2.0% +2.0%</p> | <p>+2.0% +2.0% +2.0% +2.0% +2.0%</p> |
| <p>Improve the ACT scores of Michigan high school seniors. Maintain a composite score greater than the national average by .2 or more points (the 1999 and 2000 national averages were 21.0).</p> | 21.3 | 21.3 | +2.0 points | +2.0 points |
| <p>Increase the high school graduation rate by at least two percentage points annually.</p> | 81.1% | +2.0% | +2.0% | +2.0% |
| <p>Increase the percentage of districts with educational choice options by five percentage points annually.</p> | 52.8% | 60.2% | 67.7% | +5.0% |

Universities, Grants and Financial Aid

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|---------------|---------------|---------------|
| GF/GP | \$1,193,518.7 | | | \$1,679,309.3 | \$1,785,850.6 | \$1,821,568.5 |
| All Funds | \$1,197,173.8 | | | \$1,785,959.3 | \$1,905,000.6 | \$1,956,742.4 |
| | % Change - GF/GP | | | | 6.3% | 2.0% |
| | % Change - All Funds | | | | 6.7% | 2.7% |

KEY ISSUES

| | GF/GP | All Funds |
|---|----------------------|----------------------|
| Across-the-Board Increase for University Operations (1.5%) | \$23,871.4 | \$23,871.4 |
| State University Tier Funding (0.5%) | \$7,957.5 | \$7,957.5 |
| Across-the-Board Increase for State and Regional Programs, Student Financial Aid and Degree Reimbursements (2%) | \$3,881.5 | \$3,881.5 |
| Midwest Higher Education Compact Dues | \$7.5 | \$7.5 |
| Michigan Merit Award Program | \$0.0 | \$15,023.9 |
| Competitive Scholarship Program Federal Funds Increase | <u>\$0.0</u> | <u>\$1,000.0</u> |
| Subtotal | \$35,717.9 | \$51,741.8 |
| <i>Supplemental Appropriations Contingent Upon Tuition Tax Credit Repeal*</i> <i>State University Operations - \$23,871.4</i> <i>General Degree Reimbursement Program - \$1,159.1</i> | | |
| <i>* Funding not included in totals.</i> | | |
| FY 2002 Executive Recommendation | \$1,821,568.5 | \$1,956,742.4 |

Universities, Grants and Financial Aid

Michigan's 15 public universities and 54 independent, nonprofit colleges and universities play a vital role in preparing students for productive and rewarding lives and are a critical contributor to our state's economic well-being. These higher education institutions provide Michigan residents with the opportunity to receive a high quality postsecondary education and obtain state-of-the-art occupational skills. These institutions also engage in basic and applied research to support the economic future of our state. Students benefit from an array of financial aid programs and college savings options aimed at providing equal access and freedom of choice to pursue their educational goals.

The Governor's fiscal year 2002 recommendation continues his commitment to higher education. Since fiscal year 1990, the general fund budget for higher education has increased by \$628 million - 53 percent - well above the 41 percent increase in inflation. The 2002 budget recommendation for higher education totals nearly \$2 billion dollars, \$1.8 billion general fund. The Governor's commitment to higher education is highlighted by the fact that this \$1.8 billion general fund appropriation for universities represents the second largest general fund budget, surpassed only by the Department of Community Health.

Tuition

tax credit

repeal

funds

additional

1.5%

Increased Funding for University Operations

Michigan's system of public higher education is one of the most respected in the nation. The Governor's fiscal year 2002 budget continues strong state support for public universities by recommending an increase of \$31.8 million, or 2 percent. The Governor recommends that this increase be distributed as follows:

- A 1.5 percent across-the-board increase for all universities; and,
- An \$8 million increase (0.5 percent) to address per pupil funding inequities between universities based on the funding floors established in prior year budget bills.

| University Operations (\$ In Millions) | FY2002 Proposed | Contingent Funding | FY2002 Total |
|---|--------------------|-----------------------|-----------------|
| University of Michigan | \$363.7 | \$5.4 | \$369.1 |
| Michigan State University | 328.0 | 4.8 | 332.8 |
| Wayne State University | 253.8 | 3.7 | 257.6 |
| Western Michigan University | 126.9 | 1.9 | 128.8 |
| Central Michigan University | 89.9 | 1.3 | 91.3 |
| Eastern Michigan University | 87.7 | 1.3 | 89.0 |
| Grand Valley State University | 64.3 | 0.9 | 65.1 |
| Ferris State University | 55.6 | 0.8 | 56.4 |
| Michigan Technological University | 55.3 | 0.8 | 56.1 |
| Oakland University | 52.6 | 0.8 | 53.4 |
| Northern Michigan University | 51.2 | 0.8 | 52.0 |
| University of Michigan - Dearborn | 28.0 | 0.4 | 28.4 |
| Saginaw Valley State University | 27.9 | 0.4 | 28.3 |
| University of Michigan - Flint | 24.1 | 0.4 | 24.4 |
| Lake Superior State University | 14.3 | 0.2 | 14.5 |
| Total | \$1,623.3 | \$23.9 | \$1,647.1 |

Additional Funding Tied to Tuition Tax Credit Repeal

The Governor continues to support repeal of the tuition tax credit. The tax credit has had little, if any, impact on tuition restraint. For instance, in the first 4 years of the tax credit, universities increased resident undergraduate tuition by an average of 18.4 percent as compared to the overall inflation rate of 10.4 percent. Beginning in fiscal year 2000, the legislature tied state appropriations increases to each university's compliance with tuition restraint requirements in the

budget bill. The result is that, over the last two years, universities increased their tuition by an average of only 6.7 percent as compared to the inflation rate of 6.4 percent. Clearly this policy has been much more effective than the tax credit in terms of restraining tuition and making college more affordable.

*Four
additional
universities
reach
funding
floors*

In order to pursue a true tuition restraint policy, the Governor supports an additional 1.5 percent increase for university operations, contingent upon repeal of the tax credit. This additional funding will bring the across-the-board increase for universities to 3 percent. Repeal of the tax credit, language penalizing universities with tuition increases in excess of four percent, and the appropriation of an additional \$24 million are included in a separate fiscal year 2002 supplemental appropriations bill.

Funding Floors

The last two budget bills for higher education addressed the per pupil funding disparities between universities by placing each university into one of five different funding categories. A minimum per student funding floor was established for each category. Additional funds were appropriated to universities below their funding floor, primarily benefiting universities with exceptional increases in student populations.

The fiscal year 2002 budget provides \$8 million to address the per-student differences within funding floors. The Governor recommends that this funding first be used to bring all universities up to a minimum of \$4,500 per student. The remaining dollars are allocated on a per student basis to other eligible universities. The across-the-board increases, when combined with the \$8 million funding floor adjustments, bring Grand Valley State University, Central Michigan University, Oakland University, and Saginaw Valley State University up to their respective funding floors.

ALL UNIVERSITIES RECEIVE AT LEAST \$4,500 PER STUDENT

| Funding Floor of \$9,000 per FYES | FY2001 | FY2002 |
|--|---------------|----------------|
| Wayne State University | \$10,824 | \$11,152 |
| University of Michigan - Ann Arbor | \$9,646 | \$9,939 |
| Michigan State University | \$8,140 | \$8,435 |
| Funding Floor of \$5,700 per FYES | | |
| Michigan Technological University | \$8,912 | \$9,183 |
| Western Michigan University | \$5,424 | \$5,638 |
| Funding Floor of \$4,700 per FYES | | |
| University of Michigan - Dearborn | \$4,777 | \$4,924 |
| Oakland University | \$4,537 | \$4,700 |
| Funding Floor of \$4,600 per FYES | | |
| Ferris State University | \$6,430 | \$6,626 |
| Eastern Michigan University | \$4,659 | \$4,802 |
| Central Michigan University | \$4,555 | \$4,695 |
| Funding Floor of \$4,500 per FYES | | |
| Northern Michigan University | \$7,186 | \$7,292 |
| Lake Superior State University | \$5,060 | \$5,215 |
| University of Michigan - Flint | \$4,698 | \$4,842 |
| Saginaw Valley State University | \$4,288 | \$4,500 |
| Grand Valley State University | \$4,081 | \$4,500 |

Michigan's Life Sciences Corridor

The Michigan Strategic Fund Agency budget includes \$50 million to fund the third year of a life sciences research and development initiative. This funding supports biotechnology research at Michigan's major research universities. In December 2000, nearly \$100 million in grant awards were made for 63 life sciences projects at Michigan universities, research institutions and businesses.

First Michigan Merit Award Recipients

This past fall, the first Michigan Merit Award recipients from the high school graduating class of 2000 enrolled in postsecondary education institutions. This program provides \$2,500 awards based on student achievement on the high school Michigan Education Assessment Program (MEAP) tests. A student may also qualify through extraordinary achievement on college entrance exams or the Work Keys Job Skills Assessment. The award may be used for education and training at a variety of educational settings. Approximately 42,700 students from the class of 2000 qualified for a Michigan Merit Award. Ninety percent of Merit Award recipients are attending Michigan postsecondary institutions. The fiscal year 2002 Michigan Merit Award appropriation is increased by \$15 million to \$125 million. This funding will provide awards to an estimated 55,000 students in the class of 2002 and to students from the classes of 2000 and 2001 who have not yet claimed their award.

Michigan Education Savings Program Now Available

In November 2000, Michigan implemented the Michigan Education Savings Plan. The Education Savings Plan offers tax and investment features to help all Michigan families save for college. The Education Savings Plan offers the ability to contribute to college savings accounts via payroll deduction, provides for an annual state income tax deduction, and defers federal tax obligations on account earnings. A unique feature of the Education Savings Plan is a maximum \$200 state matching contribution for first-time account owners with family incomes below \$80,000. State matching grant appropriations for children under the age of six are appropriated in the Department of Treasury. Funds placed in the Education Savings Plan are privately managed by TIAA-CREF Tuition Financing, Inc., which offers participants three different investment options with differing risks. When funds are withdrawn to pay college costs, they will be taxed according to the student's income level.

Other Student Financial Aid Increased

The recommended budget provides a 2 percent increase (\$2.2 million general fund) for current need-based student financial aid programs including the Competitive Scholarship, Tuition Grant, Michigan Work Study Program, Michigan Education Opportunity Grants, and Part-time Independent Student Program. The Competitive Scholarship program is also increased \$1 million with federal revenues. Last year a total of \$90 million was awarded to 28,500 competitive scholarship recipients attending public and independent colleges and universities and to 28,400 students receiving tuition grants to attend independent colleges and universities. Over 19,000 students attending Michigan postsecondary institutions received \$11.4 million in financial aid assistance through the Michigan Work Study Program, Michigan Education Opportunity Grants, and Part-time Independent Student Program.

Tuition Incentive Program Continued

Funding for the Tuition Incentive Program (TIP) is continued at the current year level of \$5.25 million. TIP encourages Medicaid-eligible young students to

complete high school by promising to assist in paying their college tuition and fees. During the last academic year, TIP assisted over 5,800 students enrolled at Michigan postsecondary institutions.

Independent Colleges Receive Comparable Support

The grants for general degree graduates, allied health graduates, and Michigan resident dental graduates provide direct support to Michigan's independent colleges and universities. A 2 percent increase is recommended for these programs at a cost of \$242,000. An additional \$1.2 million is recommended, contingent upon repeal of the college tuition tax credit.

*University
funding
outpaces
inflation*

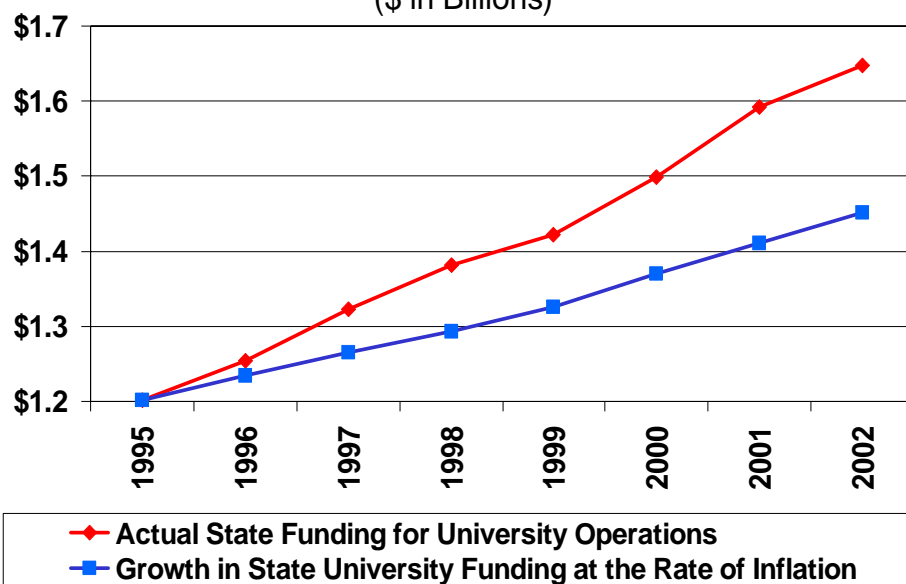
State and Regional Higher Education Programs Supported

The Governor's budget recommends a 2 percent increase (\$1.4 million) for the Agricultural Experiment Station, Cooperative Extension Service, Project GREEN, Japan Center for Michigan Universities, Michigan Molecular Institute, and the Martin Luther King, Jr. -

Cesar Chavez - Rosa Parks programs. Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs) is a joint initiative of the Department of Agriculture and Michigan State University to address critical regulatory, food safety, economic, and environmental problems that challenge plant-based agricultural industries. Total Project GREEN funding is recommended to increase to \$6.2 million.

State University Funding Since 1995

(\$ in Billions)



Higher Education Infrastructure Support

State funding for modern academic facilities has helped state universities maintain competitive instructional programs. During the 1990's, the state supported over \$1.8 billion in capital outlay projects, funding a total of 60 projects at the 15 university campuses. The fiscal year 2002 capital outlay budget contains \$135.6 million for State Building Authority debt service obligations on state university building projects completed during the 1990's.

(Amounts In Thousands)

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|-------------|----------------------|--|-------------|-------------|-------------|
| GF/GP | \$212,490.5 | | | \$297,228.0 | \$315,011.7 | \$321,196.3 |
| All Funds | \$212,490.5 | | | \$297,228.0 | \$325,011.7 | \$331,196.3 |
| | | % Change - GF/GP | | | 6.0% | 2.0% |
| | | % Change - All Funds | | | 9.3% | 1.9% |

Fiscal Year 2002 Executive Budget COMMUNITY COLLEGES
C-15

Community Colleges

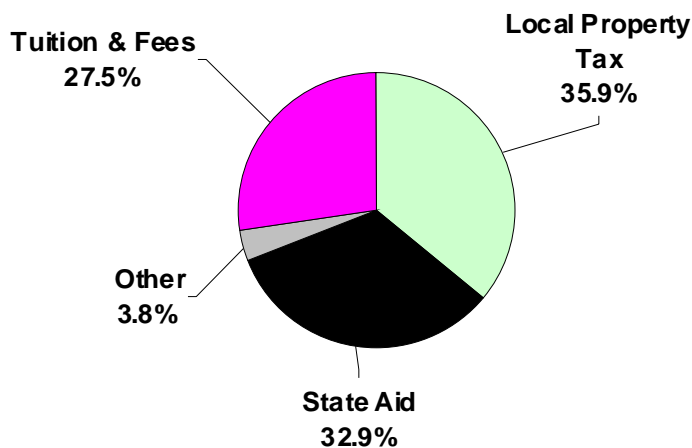
Michigan's comprehensive community college system provides its citizens with access to affordable and high quality postsecondary education. Each year, nearly 400,000 residents increase their skills by taking community college courses in the areas of occupational preparation, professional and personal development, and in preparation for continued study at four-year colleges and universities. These institutions play a vital role in providing our industries and businesses with the well-trained and technologically-skilled workforce necessary to remain competitive in the global marketplace. In order to improve student access to postsecondary education, community colleges, in cooperation with the Michigan Virtual University, have created a virtual learning collaborative to allow students to take courses online.

Increased Community College Funding

The Governor's fiscal year 2002 budget recommends \$331.2 million gross and \$321.2 million general fund in community college funding. The fiscal year 2002

operations appropriation for Michigan's 28 community colleges is increased by \$6.2 million to \$317.1 million, a 2 percent increase over fiscal year 2001. Consistent with the method endorsed by the community college presidents and trustees, half of the increase is distributed as an across-the-board adjustment to all community colleges, and the remainder is distributed utilizing the Gast-Mathieu funding formula.

Community College Funding



State support provides one-third of community college funding

Additional Funding Tied to Tuition Tax Credit Repeal

The Governor continues to support repeal of the tuition tax credit. Community colleges have demonstrated commitment to tuition restraint. To assist the colleges in efforts to continue to restrain tuition, the Governor supports an additional 1.5 percent increase for community college operations, contingent upon repeal of the tax credit. This additional funding will bring the increase for community colleges to 3.5 percent. This builds upon the 6% base funding increase in 2001, and the 3% supplemental approved during last summer's budget negotiations. Repeal of the tax credit and the related appropriation of an additional \$4.7 million is included in a separate fiscal year 2002 supplemental appropriations bill.

| Community College Operations (\$ in Millions) | FY2002 Proposed | Contingent Funding | FY2002 Total | Community College Operations (\$ in Millions) | FY2002 Proposed | Contingent Funding | FY2002 Total |
|---|--------------------|-----------------------|-----------------|---|--------------------|-----------------------|-----------------|
| Macomb | \$34,440.6 | \$509.8 | \$34,950.4 | St. Clair | \$7,282.0 | \$107.6 | \$7,389.7 |
| Lansing | 32,453.3 | 475.3 | 32,928.6 | Southwestern | 6,896.4 | 100.6 | 6,996.9 |
| Henry Ford | 22,863.1 | 334.4 | 23,197.6 | Lake Michigan | 5,474.9 | 79.8 | 5,554.7 |
| Oakland | 21,688.0 | 322.1 | 22,010.1 | Alpena | 5,341.6 | 78.5 | 5,420.1 |
| Grand Rapids | 18,633.4 | 276.7 | 18,910.1 | Bay de Noc | 5,177.7 | 75.5 | 5,253.2 |
| Wayne County | 17,223.7 | 255.8 | 17,479.5 | Mid Michigan | 4,627.9 | 67.5 | 4,695.4 |
| Mott | 16,374.0 | 240.8 | 16,614.8 | Monroe | 4,504.3 | 65.7 | 4,570.0 |
| Delta | 14,877.5 | 219.1 | 15,096.6 | Gogebic | 4,371.3 | 64.7 | 4,436.1 |
| Washtenaw | 13,112.7 | 189.6 | 13,302.4 | Montcalm | 3,234.5 | 47.8 | 3,282.3 |
| Kalamazoo Valley | 13,054.1 | 188.3 | 13,242.4 | North Central | 3,150.3 | 46.5 | 3,196.8 |
| Schoolcraft | 12,781.1 | 188.3 | 12,969.4 | Kirtland | 3,062.9 | 45.4 | 3,108.2 |
| Jackson | 12,559.1 | 186.5 | 12,745.6 | Glen Oaks | 2,513.8 | 36.5 | 2,550.4 |
| Kellogg | 10,176.9 | 148.2 | 10,325.1 | West Shore | 2,394.8 | 35.2 | 2,430.0 |
| Northwestern | 9,524.8 | 139.6 | 9,664.4 | | | | |
| Muskegon | 9,309.6 | 137.2 | 9,446.8 | Total | \$317,104.2 | \$4,663.3 | \$321,767.5 |

Postsecondary Access Student Scholarship (PASS) Program Implemented

Fiscal year 2002 marks the second year of the PASS program, with funding maintained at \$10 million. For eligible Michigan associate degree-seeking students under age 22 enrolled at a community college or a state university, PASS pays any remaining tuition and fee costs after utilization of the federal HOPE scholarship and other financial aid grants. For eligible students attending independent colleges, PASS pays up to the average resident charge of state universities. This guarantee is for two years of study if the student maintains satisfactory academic progress. For low and middle income students over age 22, PASS provides up to \$500 to help pay for their second year of college.

Michigan Education Savings Program Now Available

In November 2000, Michigan implemented the Michigan Education Savings Plan. The Education Savings Plan offers tax and investment features to help all Michigan families save for college. The Education Savings Plan offers the ability to contribute to college savings accounts via payroll deduction, provides an annual state income tax deduction, and defers federal tax obligations on account earnings. A unique feature of the Education Savings Plan is a maximum \$200 state matching contribution for first-time account owners with family incomes below \$80,000. Appropriations for the state matching grants for children under the age of six are provided for in the Department of Treasury. Funds placed in the Education Savings Plan are privately managed by TIAA-CREF Tuition Financing, Inc., which offers participants three different investment options with differing risks. When funds are withdrawn to pay college costs, they will be taxed according to the student's income level.

Michigan Merit Award Recipients Attend Community Colleges

This past fall, the first Michigan Merit Award recipients from the high school graduating class of 2000 enrolled in postsecondary education institutions. This program provides \$2,500 awards based on student achievement on the high school Michigan Education Assessment Program tests. A student may also

qualify through extraordinary achievement on college entrance exams or the Work Keys Job Skills Assessment. The award may be used for education and training at a variety of educational settings. As of December 2000, approximately 6,250 award winners had enrolled in Michigan community colleges.

Other Financial Aid Programs Benefit Community Colleges Students

Community college students benefit from several other state student financial aid programs funded in the Higher Education budget. Approximately 2,000 community college students receive State Competitive Scholarships and community colleges receive over \$3.7 million in need-based financial aid funding to assist nearly 8,500 needy students through the Michigan Work Study, Michigan Education Opportunity Grant, and Part-time Independent Student programs. In addition, the Tuition Incentive Program (TIP) encourages low-income students to complete high school by guaranteeing funding to help defray tuition costs when they enter college. TIP provided financial assistance to 3,800 community college students last year.

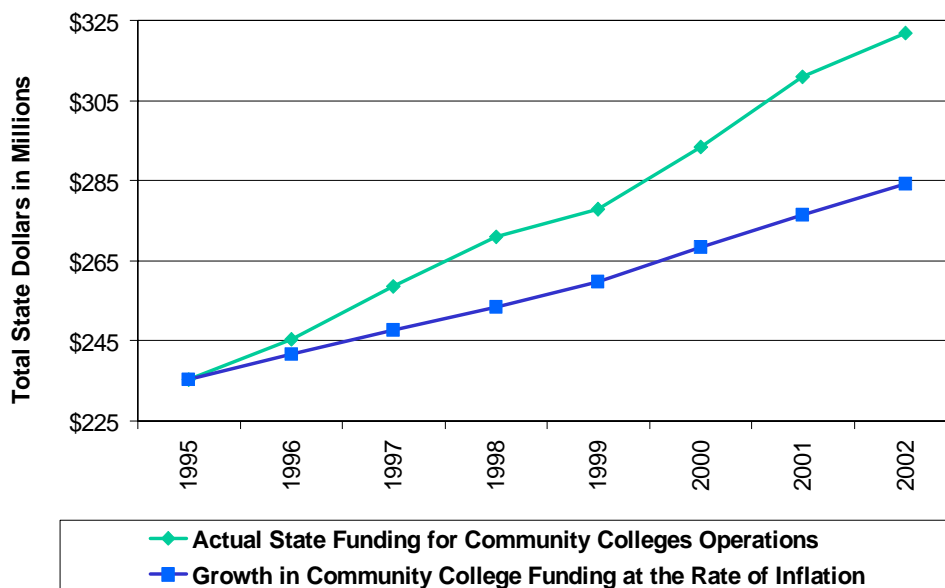
Community Colleges Supported in Other Budgets

Michigan has committed \$60 million for community college capital costs to establish sixteen new technical training centers called Michigan Technical Education Centers (M-TEC's). These centers focus on delivering training

programs in high wage, high skill, and high demand occupations. Seven community college MTEC's are now open to students located in Escanaba (Bay de Noc Community College), Battle Creek (Kellogg Community College), Benton Harbor (Lake Michigan College), Holland (Grand Rapids Community College), Auburn Hills (Oakland Community College), Traverse City (Northwestern Michigan College), and Kalamazoo (Kalamazoo Valley Community College).

Community college funding outpaces inflation

Community College Funding Since 1995



Community colleges received nearly \$27.2 million in economic development job training funds through the Michigan Strategic Fund during fiscal year 2000. These funds were used to train approximately 57,000 workers at more than 300 companies. In fiscal year 2002, community colleges will continue to receive 70 percent of economic development job training grants.

In addition, state support helped community colleges build modern academic facilities. During the 1990's, the state authorized \$515 million for 53 different community college building and renovation projects. The fiscal year 2002 capital outlay budget contains \$18 million for State Building Authority debt service obligations on community college projects completed during the 1990's.

Other Recommendations

Funding for the At-Risk Student Success Program at each community college is continued at \$3.7 million for fiscal year 2002. This program provides additional funds to colleges for approximately 29,300 students who are academically at-risk in order to overcome a wide range of obstacles and ensure college success. In addition, \$400,000 is built into the fiscal year 2002 recommendation to reimburse community colleges for revenue loss as a result of the establishment of Renaissance Zones.

Department of Education

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$35,917.5 | | | \$36,690.9 | \$34,678.7 | \$34,649.5 |
| All Funds | \$278,162.3 | | | \$922,370.1 | \$929,493.3 | \$943,470.1 |
| | % Change - GF/GP | | | | -5.5% | -0.1% |
| | % Change - All Funds | | | | 0.8% | 1.5% |

KEY ISSUES

| | GF/GP | All Funds |
|---|---------------------|--------------------|
| School Breakfast Program - Match for Federal Funds | \$1,200.0 | \$1,200.0 |
| Special Education - Field Auditor | \$75.0 | \$75.0 |
| Federal Grant Adjustments | \$0.0 | \$15,725.0 |
| - National School Lunch | | \$12,225.0 |
| - Charter School Grant | | \$3,000.0 |
| - Competitive Child Care | | \$400.0 |
| - School-age Child Care | | \$100.0 |
| Motorcycle Safety Education Grants | \$0.0 | \$332.7 |
| Removal of One-time Funding | (\$1,483.0) | (\$1,483.0) |
| Michigan Schools for the Deaf and Blind - Local Revenue Adjustments | \$0.0 | (\$1,701.6) |
| Former Michigan School for the Blind - Rent Payment Adjustments | \$0.0 | (\$1,267.0) |
| Budgetary Savings | (\$174.1) | (\$174.1) |
| Economic Adjustments | \$424.1 | \$1,212.0 |
| Other Adjustments | (\$71.2) | \$57.8 |
| Subtotal | (\$29.2) | \$13,976.8 |
| FY 2002 Executive Recommendation | \$34,649.5 | \$943,470.1 |

Department of Education

The fiscal year 2002 Executive Budget Recommendation for the Department of Education focuses on educational performance of students in kindergarten through 12th grade. The department's priority in the upcoming year is the implementation of several early intervention programs contained in the multi-year state School Aid Act. These new programs - reading improvement, intensive summer school, and parental involvement initiatives - support the Governor's goal of having every child perform schoolwork at grade level by the time they reach the 4th grade. Total recommended funding for the Department of Education is \$943.5 million, of which \$34.6 million is general fund.

Focusing on Children Through Early Intervention

Reading Plan for Michigan - The Governor's Reading Plan for Michigan aims to have all children read at grade level by the time they reach the 4th grade. The expectation is also that by the 2002-2003 school year, no student will be promoted to the next grade level who has not met the local district's standards for promotion. To that end, funding support for statewide distribution of the popular reading readiness packages (READY kits) to parents of infants, toddlers, and preschool children is now fully secured through fiscal year 2003 in the state School Aid Act. In addition, the Reading Plan for Michigan is expanded by provisions in the state School Aid Act for additional early intervention efforts, including \$50 million for reading improvement programs, \$38 million for intensive summer school sessions, and \$45 million for infant and early childhood parental involvement initiatives.

Investing in School Readiness Programs - Preparing children to succeed in kindergarten and the early grades begins with an investment in school readiness programs for academically at-risk preschoolers. Over 26,000 Michigan children are served annually through various school readiness programs - which support children birth through eight years old who are at-risk of school failure. By providing young learners with high-quality school readiness programs, it has been found that over 90 percent of these at-risk children successfully progress into kindergarten. In fiscal year 2002, the state School Aid Act increases to \$25 million the amount available for full-day, school readiness programs allowing more children of working parents to take advantage of this developmental opportunity.

Early-On Programs - Approximately 13 percent of all school-age students in the state have been identified as eligible for special education services. Michigan's innovative *Early-On* program annually targets support services to nearly 11,400 infants and toddlers who are in need of early intervention services due to disabilities or developmental delay. Pre-school special education services are also provided to over 19,100 children with disabilities.

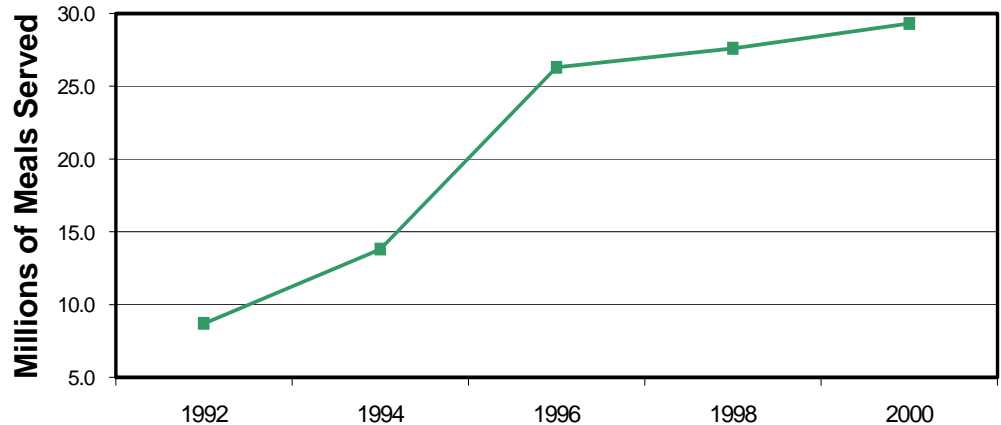
Getting the School Day Started Right

The Governor's fiscal year 2002 budget recommendation includes an additional \$1.2 million general fund to support increased participation in the federal school breakfast program.

Research indicates that students who have a nutritious breakfast in the morning perform better academically and have reduced absence and tardiness rates. In this past school year, over 2,900 schools in Michigan provided breakfast to approximately 165,600 children daily. The department is also working to expand

federal snack and supper programs in schools so that these meal services are available to eligible children participating in after-school programs. The after-school snack program, which started in 1999, has grown from 181 to 763 participating sites in just one year, a growth of over 321 percent.

**Jump-Starting Classroom Performance
Number of School Breakfasts Served**



*76% of
public
schools
participate
in the
breakfast
program*

Helping to Improve Schools

The Department of Education has also mobilized its resources to better meet the needs of local districts through its field services delivery system. Departmental personnel are now working directly with local school districts, public school academies, intermediate school districts, and other resource agencies to support school improvement efforts. In addition to providing hands-on technical assistance, field service staff are also working with districts to ensure that their curriculum is aligned with high performance standards and that available resources are focused on improved student learning.

Parents Exercising Choice

Over 67 percent of school districts in Michigan now have a choice option available to parents, either through a charter school initiative or open enrollment schools of choice program. Parents have clearly embraced the expanded opportunities that are available to select the public school that best fits the needs and interests of their children. Presently, there are 184 charter schools or public school academies operating in Michigan, enrolling over 57,000 school children. The department will continue to aggressively support the expansion of parental choice by working with charter school authorizing institutions, providing technical assistance to new and existing public school academies, and supporting schools of choice programs within traditional school districts. The Governor's fiscal year 2002 recommendation includes an additional \$3 million in federal financial assistance to support charter school implementation.

Bridging the Information Gap

In August, the Governor issued Executive Order 2000-9 creating the Center for Educational Performance and Information (CEPI). This new two-year temporary agency was created for the sole purpose of improving the quality and availability of educational data so that parents, administrators, local leaders, policymakers, and educational organizations can determine whether schools are meeting academic, financial, and operational performance expectations. The Center is building upon work started in the Department of Education to eliminate inefficient, paper-based, and redundant reporting systems. Together with e-Michigan initiatives, the Center will help to fulfill the Governor's pledge to make education performance data available to all.

Other Adjustments

Local revenues to the Michigan Schools for the Deaf and Blind located in Flint are reduced by \$1.7 million to reflect reduced student enrollment. Lease payments of \$1.3 million from tenants at the former Michigan School for the Blind located in Lansing are removed from the budget and language is added to the appropriation bill to allow the Department to receive and expend rent payments as necessary. The Lansing campus was declared surplus property in 1999 and this change provides the Department with the flexibility to receive and expend rent payments while new uses for the campus are being reviewed and implemented.

Fiscal Year 2001 Supplemental

The Governor's recommendation includes a fiscal year 2001 supplemental of \$650,000 general fund for the school breakfast program, in addition to the corresponding increase of \$1.2 million in fiscal year 2002.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------|---------|-----------|---------|
| Increase the percentage of students scoring satisfactorily on the reading portion of the 4th grade MEAP | 59.4% | 58.2% | 60.2% | 62.2% |
| Through early intervention, decrease the percentage of school-age students identified as learning disabled due to a reading deficiency at or before 4th grade | 2.33% | 2.33% | 2.24% | 2.15% |
| Increase the early identification rate of infants and toddlers with disabilities (national estimate of children with disabilities is 2.2%) | 1.5% | 1.8% | 2.0% | 2.2% |
| Increase the percentage of local districts achieving satisfactory levels of accreditation under new accreditation system | N/A | N/A | Implement | +5% |
| Increase the passing rate for subject area teacher certification tests | 90% | 87% | 87% | 88% |
| Increase the percentage of public school buildings participating in the following programs: | | | | |
| School breakfast | 78.1% | 76.4% | 77.4% | 78.9% |
| After-school snacks | 0.3% | 4.0% | 4.3% | 5.0% |

Department of Career Development

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$19,439.7 | | | \$43,106.9 | \$25,458.6 | \$36,538.4 |
| All Funds | \$412,428.1 | | | \$612,612.3 | \$523,454.4 | \$530,105.3 |
| | % Change - GF/GP | | | | -40.9% | 43.5% |
| | % Change - All Funds | | | | -14.6% | 1.3% |

| KEY ISSUES | GF/GP | All Funds |
|--|-------------------|--------------------|
| Fund Welfare-to-Work Program | \$10,000.0 | \$30,000.0 |
| Federal Temporary Assistance for Needy Families Adjustment | \$0.0 | (\$30,000.0) |
| Increase Focus: HOPE | \$500.0 | \$500.0 |
| Transfer Commission on Spanish Speaking Affairs from Department of Civil Rights | \$211.3 | \$211.3 |
| Increase U.S. Department of Education, Office of Vocational and Adult Education Grants | \$0.0 | \$4,495.3 |
| Increase U.S. Department of Education, Office of Special Education Rehabilitation Services Grants | \$0.0 | \$2,435.1 |
| Corporation for National Service | \$0.0 | \$2,100.0 |
| Increase in other Federal Spending Authority | \$0.0 | \$2,230.5 |
| U.S. Department of Education, Cooperative Demonstration School-to-Work Grant Elimination | \$0.0 | (\$700.0) |
| Elimination of Time-Limited Federal Grants | \$0.0 | (\$7,026.3) |
| Budgetary Savings | (\$183.8) | (\$183.8) |
| Economic Adjustments | \$552.3 | \$2,595.3 |
| Other Adjustments | <u>\$0.0</u> | <u>(\$6.5)</u> |
| Subtotal | \$11,079.8 | \$6,650.9 |
| FY 2002 Executive Recommendation | \$36,538.4 | \$530,105.3 |

Department of Career Development

The Department of Career Development is the state's workforce development agency. It encompasses job training, recruitment, and career preparation programs for the State of Michigan. The department is responsible for developing a ready supply of technically educated workers. The department's goal is to develop a system that creates a workforce with the skills required to maintain and enhance the Michigan economy.

The Governor's fiscal year 2002 budget maintains strong support for workforce development programs with funding of \$530.1 million. Direct state support has been increased by more than 43 percent, increasing general fund support to \$36.5 million.

Career Development System

The Department continues to move forward with implementation of a statewide career development system. New career development initiatives have begun, utilizing \$75 million in one-time tobacco settlement revenue appropriated in fiscal year 2000. A competency-based curricula fund has been established to enhance current training provided through community colleges and other providers to ensure that students learn the skills that businesses need. In addition, school-to-work activities provided by local workforce development boards will be enhanced. Activities will include internships, career awareness, externships for faculty, and Junior Achievement-type activities.

Adult Education

The enacted fiscal year 2002 School Aid budget maintains funding for Michigan's adult education and literacy programs at \$100 million. The programs are administered by the Department of Career Development. A total of \$80 million is distributed to school districts for the provision of adult basic education, English as a second language programs, general education development (GED) test preparation, or high school completion.

The remaining \$20 million supports the Partnership for Adult Learning Program. Funds are distributed by local workforce development boards on a competitive basis to adult education providers to raise English language proficiency, reading, writing, or math skills. Eligible providers are local and intermediate school districts, public school academies, community colleges, universities and community-based organizations.

Additionally, the U.S. Department of Education, Office of Vocational and Adult Education, has increased grant awards by \$4.5 million. This funding will be directed to local adult education providers to increase services to individuals seeking high school completion and general English language assistance. Additional funding will also be directed toward costs associated with the development and design of adult literacy programs.

Welfare Reform

Michigan's nationally recognized welfare reform program continues to yield dramatic caseload reductions, with a 70.1 percent decline since 1994. In an effort to maximize statewide federal funding, current program funding allocations have been changed. The Work First program will receive \$20 million in federal Welfare-to-Work funds and \$10 million in direct state support. This will allow the redirection of \$30 million in Temporary Assistance for Needy Families (TANF) funds to other critical program areas, ensuring continued support and assistance to Michigan's neediest citizens. Overall funding for the Work First and Welfare-to-Work programs will remain constant at \$140.5 million.

Moving people from welfare dependency to work has been the cornerstone of Michigan's welfare policy. Since the beginning of the Work First program in October 1994, more than 323,000 participants have been placed in employment. In fiscal year 2000, over 68,000 participants obtained employment through the Work First program; nearly 23,000 participants no longer need cash assistance from the state. The Work First program has evolved into a continuum of services from job placement to job retention to career advancement. An array of training programs, including vocational and occupational training, remedial education, and internships are available to assist participants in taking the next step to economic independence. During fiscal year 2000, enrollment in education and training activities for Work First participants increased by 289 percent.

*Over
53,000
disabled
persons
placed in
jobs since
1993*

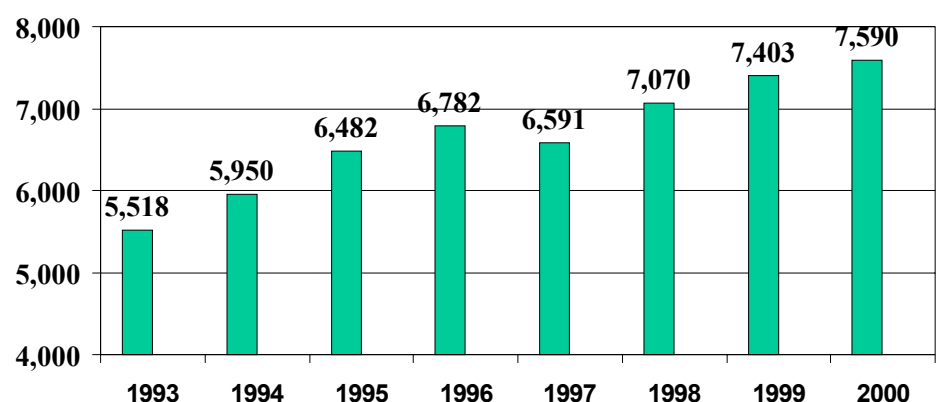
Rehabilitation Services

Another program operated by the Department of Career Development is the Michigan Rehabilitation Services program, which assists members of the disabled community to secure and maintain employment. Moving persons with disabilities into the workforce has saved taxpayers \$18.1 million between 1994 and 1999. Michigan

Rehabilitation Services provides services to more than 40,000 individuals annually. In 2000, more than 7,500 individuals were directly placed into jobs. In fiscal year 2002, grants from the U.S. Department of Education, Office of Special Education

Rehabilitation Services, will increase by \$2.4 million. These funds will maintain quality services to the disabled community for job training, placement assistance, and post-employment services.

Michigan Rehabilitation Services



Focus: HOPE

Funding for this innovative job training program will increase by \$500,000, bringing total state support to \$6.0 million. Focus: HOPE was founded by the late Fr. William T. Cunningham and Eleanor M. Josaitis in 1968. It provides technical training and education programs, child care, community development initiatives, arts projects, and food programs to residents of the Metropolitan Detroit area. It is a national model for successfully moving people toward self-sufficiency.

Other Non-General Fund Adjustments

An additional \$2.1 million in grant awards will be provided by the Corporation for National Service to enhance statewide support for volunteerism activities, providing money to schools and community based organizations to involve students in volunteer services.

This year's recommendation also includes \$2.2 million in federal funding increases; these include grant increases for various education and training programs supported by the federal Department of Labor and the Department of Education. Several time-limited federal grants have also been eliminated, including a One-Stop System Implementation grant which has been successfully concluded.

The fiscal year 2002 recommendation fully implements Executive Order 2000-5, which transferred the Commission on Spanish Speaking Affairs and \$211,300 in state resources from the Department of Civil Rights to the Department of Career Development.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|----------------|----------------|----------------|----------------|
| Maintain the current employment rate of Work First program recipients Employed Retained 90+ days | 53% 28% | 53% 28% | 53% 28% | 53% 28% |
| Close at least 14% of Work First Family Independence Program (FIP) cases due to job placement or increased earnings | 14% | 14% | 14% | 15% |
| Increase the percentage of job seekers getting jobs within 90 days of using the Michigan Talent Bank | 37% | 40% | 40% | 42% |
| Maintain the number of persons with severe disabilities who are successfully rehabilitated and employed | 7,403 | 7,590 | 7,600 | 7,600 |
| Ensure that at least 95% of students completing career technical education programs are successfully placed in jobs or continue in post-secondary education | 95% | 95% | 95.5% | 96% |
| Increase by 5% the number of adult education participants who elevate reading levels to a functional level or have gained sufficient job readiness skills to enter the workforce. | N/A | N/A | 20% | 25% |

Michigan Strategic Fund

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$26,076.9 | | | \$114,907.2 | \$65,602.9 | \$66,271.6 |
| All Funds | \$107,006.7 | | | \$218,917.1 | \$169,082.8 | \$180,206.0 |
| | % Change - GF/GP | | | | -42.9% | 1.0% |
| | % Change - All Funds | | | | -22.8% | 6.6% |

KEY ISSUES

| | GF/GP | All Funds |
|--|----------------|------------------|
| Community Development Block Grants (CDBG) | \$0.0 | \$10,000.0 |
| Community Development Block Grant Administration & Technical Assistance | \$200.0 | \$400.0 |
| Small Business Loan Program | \$0.0 | \$193.3 |
| Increase for Travel Michigan | \$500.0 | \$500.0 |
| Budgetary Savings | (\$333.4) | (\$333.4) |
| Economic Adjustments | <u>\$302.1</u> | <u>\$363.3</u> |
| Subtotal | \$668.7 | \$11,123.2 |
| FY 2002 Executive Recommendation | \$66,271.6 | \$180,206.0 |

Michigan Strategic Fund

The fiscal year 2002 Executive recommendation for the Michigan Strategic Fund includes \$180.2 million in total funding, \$66.3 million from general fund resources. This total encompasses funding for all economic development programs, global and Michigan business development activities, travel and tourism promotion, economic development grants, job creation services, and federal community development block grants.

The Michigan Strategic Fund has entered into agreements with local governments to create the Michigan Economic Development Corporation (MEDC), a public body. This will ensure long-term continuity, increased focus and flexibility for economic development issues. The MEDC administers and coordinates all economic development activities funded by the Michigan Strategic Fund. The MEDC partners with local units of government, universities, and businesses to retain and attract more high skill, high wage jobs to the state. Michigan's economic development activities have been very successful. Michigan has been ranked number one in the nation for attracting new business sites for the last three years.

Michigan

unemployment

More than 831,000 jobs have been created in Michigan since 1991, pushing our unemployment rate below the national average for the sixth year in a row.

at its lowest

Established four years ago, Michigan's Renaissance Zones have had a positive effect on Michigan's economy, establishing 180 projects in 20 economically depressed areas of the state, creating more than 5,300 jobs, and attracting \$736 million in private investments. Legislation in 1999 expanded the number of

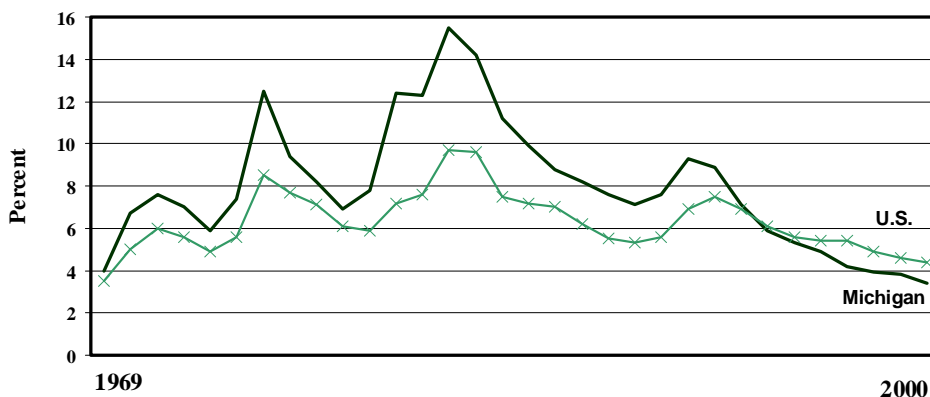
rate in a

generation

Renaissance Zones from 11 to 20 and gave local communities the authority to

create additional sub-zones in the original 11 zones approved in 1997. In 2000, additional legislation allowed for the creation of additional sub-zones, modification of boundaries, establishment of 10 Agricultural Renaissance Zones and the establishment of one additional Renaissance Zone in the future. This greater flexibility will

**Michigan Unemployment Rate
Lower than National Average**



enable local communities to attract businesses best suited to their local economic needs. Since 1995, Michigan Economic Growth Authority (MEGA) projects have created and retained 139,962 jobs and generated capital investment of \$5.1 billion, resulting in a net positive impact to the state of \$8.1 billion.

The innovation and focus given to economic development activities in the 1990's has made Michigan the national standard for moving workers toward higher paying jobs. It encourages businesses to commit their resources to Michigan and creates a stable economy for the state. The greatest challenge in the next decade is to become a national and international model of economic excellence. With the success of Michigan's economy, the state finds itself in the position of needing additional workers. Michigan's "can do" business philosophy and strong marketing of our economic successes should ensure that worker recruitment activities are as successful as our business attraction efforts have been.

"The Michigan Economic Development Corporation has been instrumental in creating innovative initiatives such as SmartZones and the Core Communities Fund. These efforts will have tremendous benefit for businesses throughout Michigan."

**Ed McNamara, Wayne County Executive,
Fall of 2000**

Fiscal Year 2002 Recommendations

Life Sciences Corridor - The fiscal year 2002 recommendation includes \$50 million in Tobacco Settlement Trust Fund revenues for the Life Sciences Corridor. This funding will support biotechnology research at Michigan's major research institutions. This initiative is intended to support research activities that will attract life science technology companies to Michigan. In addition, \$5 million of this funding is earmarked for the purpose of setting up an early stage venture capital fund to promote and market commercialization activities for the life sciences sector. Since its inception in 1999, nearly \$100 million has been granted to 63 life sciences projects at Michigan-based universities, research institutions and businesses. More than 500 proposals for more than \$600 million have been received for this competitive grant program.

Economic Development Job Training and Worker Recruitment Grants - The fiscal year 2002 recommendation continues \$31 million in general fund support for job training grants to Michigan employers. These competitively awarded funds enable Michigan businesses to provide additional training to employees, allowing Michigan businesses to retain employees and improve the state's competitive standing. Up to \$1 million may be used for worker recruitment activities by Michigan companies.

Community Development Block Grants - The fiscal year 2002 recommendation includes \$60 million in federal revenue to support grants for economic development public infrastructure projects and land acquisition, clearance, and rehabilitation. This represents a \$10 million increase from fiscal year 2001 and will ensure that additional resources are directed to local communities throughout the state. Priority is given to projects involving manufacturing businesses and projects that result in the creation of new jobs. This funding is available to communities of under 50,000 in population.

Michigan Promotional Program (Travel Michigan) – The fiscal year 2002 recommendation contains an increase of \$500,000 in general fund support for the Michigan Promotional Program. This funding will assist Travel Michigan with its marketing activities, allowing Michigan to compete for valuable tourism dollars in targeted media markets.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------------|----------------|---------------|----------------|
| Increase Michigan economic capacity through implementation of statewide economic development programs | | | | |
| Private investment | \$4.1 billion | \$4.45 billion | \$3.5 billion | \$3.75 billion |
| Jobs retained | 93,192 | 62,200 | 64,000 | 64,000 |
| Jobs created | 23,368 | 25,052 | 20,000 | 20,000 |
| Improve worker skills by providing specialized advanced skills training (number of employees of Michigan employers trained) | | | | |
| | 60,352 | 58,257 | 70,000 | 70,000 |
| Rank in the top ten by Site Selection magazine as the nation's leader in the number of new plants and expansions | | | | |
| | #1 | Top Ten | Top Ten | Top Ten |
| Encourage business growth by attracting at least 20,000 new jobs in the high tech industries annually | | | | |
| | 23,868 | 25,052 | 20,000 | 20,000 |
| Encourage new job creation through MEGA tax credits (estimated number of direct and indirect jobs created) | | | | |
| | 12,005 | 19,406 | 15,000 | 15,500 |

Consumer and Industry Services

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$197,819.2 | | | \$80,857.5 | \$83,762.3 | \$85,376.8 |
| All Funds | \$448,395.5 | | | \$498,233.5 | \$529,756.6 | \$535,631.3 |
| | % Change - GF/GP | | | | 3.6% | 1.9% |
| | % Change - All Funds | | | | 6.3% | 1.1% |

KEY ISSUES

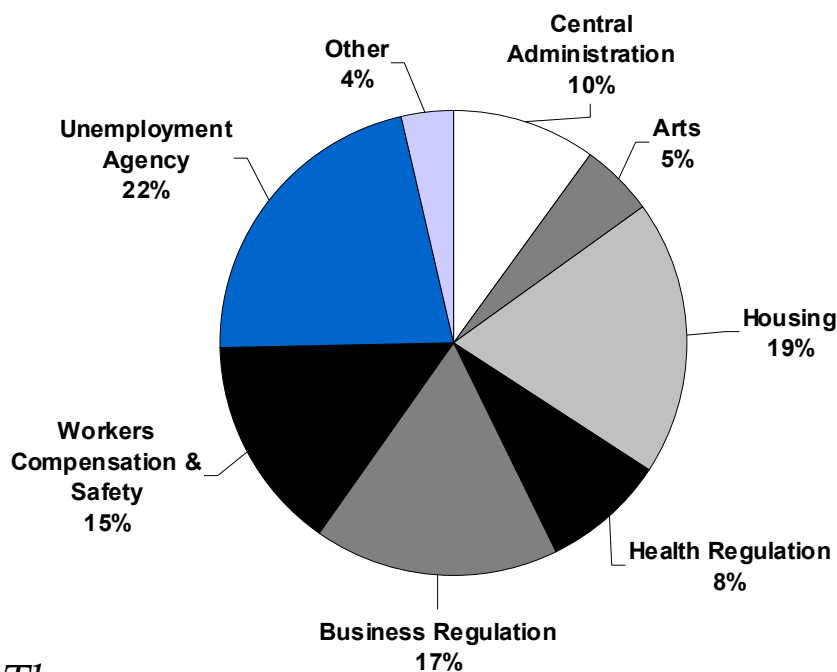
| | GF/GP | All Funds |
|---|-------------------|--------------------|
| Foster Care Regulation Fund Shift | \$500.0 | \$0.0 |
| HMO Regulation Transfer from the Department of Community Health per P.A. 252 of 2000 | \$0.0 | \$595.5 |
| New Fire Safety Office in Southeast Michigan | \$30.8 | \$308.9 |
| Records Maintenance and Document Management | \$125.0 | \$125.0 |
| State Survey and Remonumentation Grants | \$0.0 | \$1,000.0 |
| Safety, Education and Training Subgrantees | \$0.0 | \$150.0 |
| Chief Carnival Amusement Ride Inspector | \$0.0 | \$90.0 |
| Renewable Energy Services | \$0.0 | \$27.0 |
| Budgetary Savings | (\$429.0) | (\$429.0) |
| Economic Adjustments | \$1,377.7 | \$9,844.5 |
| Other Adjustments | <u>\$10.0</u> | <u>(\$5,837.2)</u> |
| Subtotal | \$1,614.5 | \$5,874.7 |
| FY 2002 Executive Recommendation | \$85,376.8 | \$535,631.3 |

Department of Consumer and Industry Services

The primary focus of the Michigan Department of Consumer and Industry Services (CIS) is to support the health, safety, economic and cultural well being of the public through effective oversight and customer service.

The Governor's fiscal year 2002 total budget recommendation for CIS is \$535.6 million, of which \$85.4 million is general fund. This funding recommendation will support the department's ongoing efforts to further improve the delivery of services to the public as well as to its 1.5 million licensees.

Fiscal Year 2002 Spending by Category



Customer Service Improvements

During the recent past, there have been significant customer service improvements in the department:

Implementing a new wage record system - During fiscal year 2001, the Unemployment Agency successfully implemented a wage record system that eliminates more than a million forms per year for employers. Under this new system, unemployed workers know earlier if they are eligible for unemployment benefits and how much they will receive. Working with the business and labor communities, CIS completed this change a full 15 months ahead of the statutory implementation date.

The
CIS
budget
supports a
broad
array of
programs
and
activities

Building the nursing home quality incentive grant program - Michigan maintains its reputation as a leader in the effort to continually improve quality of care standards and living environments for our most vulnerable residents. For the third consecutive year, the Governor is recommending \$10 million to nursing homes to improve the quality of life for residents through a variety of innovative programs. In the current year, 370 nursing homes received grant awards.

Expanding Web-based license look up - Internet users can now check on the license status of more than 40 health and commercial professions by clicking on the "verify a license" button on the CIS home page (<http://www.cis.state.mi.us>). Soon this service will be expanded to include even more detailed license history and information.

Expanding arts and cultural grants outreach - A 19 percent increase in funding to \$25 million this past fiscal year has enabled the Michigan Council for the Arts to reach even more Michigan residents while further establishing Michigan's position as a national leader in state support of arts and culture.

Winning a Telly award for the CIS

cable show "Consumer's Corner" - The Consumers' Corner hospice show won a nationally acclaimed Telly award for excellence. The show, and corresponding public service announcement, is helping build awareness of hospice services. Michigan hospices provide end-of-life services with dignity, comfort, and family support.

"They weren't the biggest winners, but they probably were the happiest. Several mid-size cultural institutions in Michigan were awarded state grants Friday that double, triple and in one case quadruple the amount received last year. There were some big winners in little organizations."

**Tami Ramaker, Executive Director
of the Arts Council of Greater
Grand Rapids, September 16, 2000**

Cutting unemployment taxes - With a continued low level of unemployment, employer taxes enjoyed another round of tax reductions. Since 1995, employers have saved over \$1 billion. These reductions, while significant, have not compromised the solvency of Michigan's Unemployment Trust Fund.

Honoring Michigan's outstanding caregivers - Now entering its fourth year, the Governor's Quality Care Awards Program continues to promote and recognize quality care in the areas of day care, adult foster care, nursing homes, hospices, and homes for aged. More than 150 care providers throughout the state are now Quality Care Award Winners and can serve as role models and mentors for others to help raise the quality standard for care in Michigan.

Making the building permit process more user friendly - CIS launched a new Internet Web page specifically designed to enable architects and engineers to quickly identify applicable construction plan review and permit requirements. This one-stop site (<http://www.cis.state.mi.us/bcc/home.htm>) saves architects and engineers valuable time in searching for applicable rules, application forms, plan review and permit requirements.

Creating the top-rated workers' compensation Web site - The CIS Bureau of Workers' Disability Compensation Web site has been rated the top workers' compensation Web site (<http://www.cis.state.mi.us/wkrcomp/bwdc/home.htm>) in the country by a national workers' compensation organization. The Web site contains forms, statistics, maps, publications, employer insurance coverage information, and other useful information.

Southeast Michigan Fire Safety Office

The Governor recommends four FTEs and \$308,900 for a new fire safety office in Southeast Michigan (Region I). The workload in this region has increased significantly over the past five years due to additional building and economic growth in the area. The size and complexity of facilities in Southeast Michigan is

generally greater and fire protection needs are more complicated than are those in other regions. The fiscal year 2002 recommendation also increases fire safety fees to support this new office and to provide revenue for the ongoing fire safety program.

Records Maintenance and Document Management

The Governor's recommendation adds \$125,000 general fund for records maintenance and document management in the Health Systems Administration. The document imaging system will record, file and sort survey and complaint investigation documents that are currently stored in four separate Bureau offices and in the state archives. This improved records management system will ensure Freedom of Information Act responses are completed within the statutory timeframes and that records are available for hearings and legal action when needed.

Remonumentation Grants

The State Survey and Remonumentation Act provides for the remonumentation of the original U.S. public land survey corners that serve as the basis for all public and private property locations in Michigan. There are approximately 300,000 such corners located within the state. Remonumentation work is carried out by each of the 83 counties and the Act requires the completion of the survey and remonumentation program within a 20-year period (by January 1, 2011). Building upon the \$5 million appropriation of remonumentation fees in fiscal year 2001, the Governor recommends a \$1 million increase in this area to assure completion within the specified 20 years.

Safety, Education and Training

The Governor recommends increasing the Safety, Education and Training (SET) appropriation to \$1 million with an additional \$150,000 from SET restricted revenue. The Bureau of Safety and Regulation awards this money to nonprofit organizations to provide special safety training to employees and employers in needed topic areas and to those who cannot easily access other training resources. The SET grant program has been successful in reaching many target groups with highly specialized needs who would not otherwise receive occupational safety and health education, training or prevention services through the Bureau's traditional programs.

Other Adjustments

The Governor recommends various federal fund adjustments, fund shifts, and other activities. Among the most significant are the following:

- In addition to \$5 million added in the current fiscal year, the Governor recommends an additional \$2 million of federal funds for 80,000 new Section 8 housing vouchers for families, senior citizens, and people with disabilities. This money will expand services to more people and provide rental assistance payments to landlords on behalf of qualified low-income households.

- The Governor recommends \$27,000 to assist expanding market activity in alternative fuels development, \$90,000 for a chief carnival amusement ride inspector, a \$500,000 fund shift for foster care regulation, and a \$5.2 million reduction in authorization to the insurance funds administration to reflect actual expenditures.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|----------------|----------------|----------------|----------------|
| To support public safety, increase the percentage of construction code plan reviews completed within 15 business days of receipt | 91.4% | 92% | 94% | 95% |
| To support public health and safety, reduce the number of days to respond to occupational health and safety complaints | 24 days | 18 days | 15 days | 13 days |
| To support public economic well being, increase the percentage of MIOSHA discrimination cases resolved within 90 days | 36% | 57% | 60% | 66% |
| To enhance the economic security of claimants, increase the percentage of hearings regarding wage replacement that are processed within 21 days of receipt | 48% | 57% | 62% | 70% |
| To support the safety of long-term care residents, increase the number of long-term care facilities that had no safety-related non-compliance violations | 16 | 26 | 29 | 34 |

Department of Corrections

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|---------------|---------------|---------------|
| GF/GP | \$732,918.4 | | | \$1,482,956.3 | \$1,619,600.5 | \$1,674,940.5 |
| All Funds | \$758,134.0 | | | \$1,564,019.0 | \$1,703,858.4 | \$1,757,272.0 |
| | % Change - GF/GP | | | | 9.2% | 3.4% |
| | % Change - All Funds | | | | 8.9% | 3.1% |

| KEY ISSUES | GF/GP | All Funds |
|--|----------------------|----------------------|
| FY00 New Facility Operations - Third Year Step Funding | \$5,201.5 | \$5,201.5 |
| Bellamy Creek Correctional Facility - Defer Opening To FY 2003 | (\$10,341.7) | (\$10,341.7) |
| Drop-In Housing Unit Openings (720 Beds) - Phased Costs | \$5,866.0 | \$5,866.0 |
| Prisoner Health Care Cost Adjustments | \$3,764.7 | \$3,764.7 |
| Employee Salary Step Increases | \$4,824.1 | \$4,824.1 |
| Various Operational Expenses | \$1,467.4 | \$1,754.9 |
| Various Revenue Adjustments | \$1,680.0 | (\$1,270.6) |
| Cooper Street Facility Barracks Replacement Adjustment | \$525.5 | \$525.5 |
| Parole Board Operations Adjustments | \$491.0 | \$491.0 |
| Reduced Consent Decree Requirements | (\$1,020.1) | (\$1,020.1) |
| Employee Leadership Training Program | \$500.0 | \$500.0 |
| New Employee Training Cost Adjustment | (\$845.6) | (\$845.6) |
| Economic Adjustments | \$44,227.2 | \$44,963.9 |
| Budgetary Savings | <u>(\$1,000.0)</u> | <u>(\$1,000.0)</u> |
| Subtotal | \$55,340.0 | \$53,413.6 |
| FY 2002 Executive Recommendation | \$1,674,940.5 | \$1,757,272.0 |

Department of Corrections

Governor Engler's fiscal year 2002 recommendation continues Michigan's investment in the on-going fight against crime. Efforts supported by the Governor in recent years to strengthen prison sentences and enhance bed

"Government's number one duty is to protect families and their property against predatory criminals...By being tough on lawbreakers, we are making Michigan safer."

**Governor John Engler,
State of the State Address, 1998**

capacity have demonstrated a strong commitment to ensuring fair punishment for criminal behavior while fulfilling the public safety obligation to Michigan citizens. Crime rates continue to decline in Michigan, due in part, to dangerous felons receiving longer prison sentences.

The Department of Corrections enhances public safety by recommending sanctions to the courts, and by carrying out the sentences given to convicted felons in a humane, cost-efficient manner. During fiscal year 2002, the department expects to incarcerate over 48,000 convicted felons in its facilities, which include more than 40 prisons

and a dozen camps. In addition to the prisoner population, the department will supervise 65,000 additional felons through its adult probation and parole staff.

In support of the continued investment in public safety, the recommendation for fiscal year 2002 is \$1.76 billion, a general fund increase of 3.4 percent over fiscal year 2001. This is the smallest percentage increase in four years and reflects slower growth in prisoner populations and cost efficiencies achieved by the department.

Michigan's Prison Capacity

An essential component of public safety always includes locking up violent criminals who present a threat to society. The timing of construction of new prison beds does not always coincide exactly with prisoner population trends. Over the next two years, the department will defer opening some new beds due to slower than anticipated population growth, thereby saving valuable general fund resources.

Bellamy Creek Correctional Facility in Ionia, originally scheduled to open during the summer of 2001, will be rescheduled to open in fiscal year 2003. This facility will house up to 1,500 level IV security prisoners when it opens. Instead of opening Bellamy Creek Correctional Facility, the department will open 720 "drop-in" beds at Saginaw, Thumb, and Macomb Correctional Facilities. Each facility will open one 240-bed housing unit during the spring of 2002. These "drop-in" style units provide economical prisoner beds inside secure perimeters of existing department facilities and, as such, are cheaper to construct and operate than traditional prison beds. The fiscal year 2002 recommendation includes \$10.3 million in savings associated with the delayed opening of Bellamy Creek and \$5.9 million in funding for the partial year operation of these "drop-in" housing units.

In addition, a replacement housing unit at Cooper Street Correctional Facility in Jackson will add 58 beds to the complement at that facility. An increase of \$525,500 is recommended for these new prisoner beds.

Cost Efficiencies

Governor Engler has signed legislation that calls for the incarceration of offenders as young as 14 if they commit certain serious crimes. Since fiscal

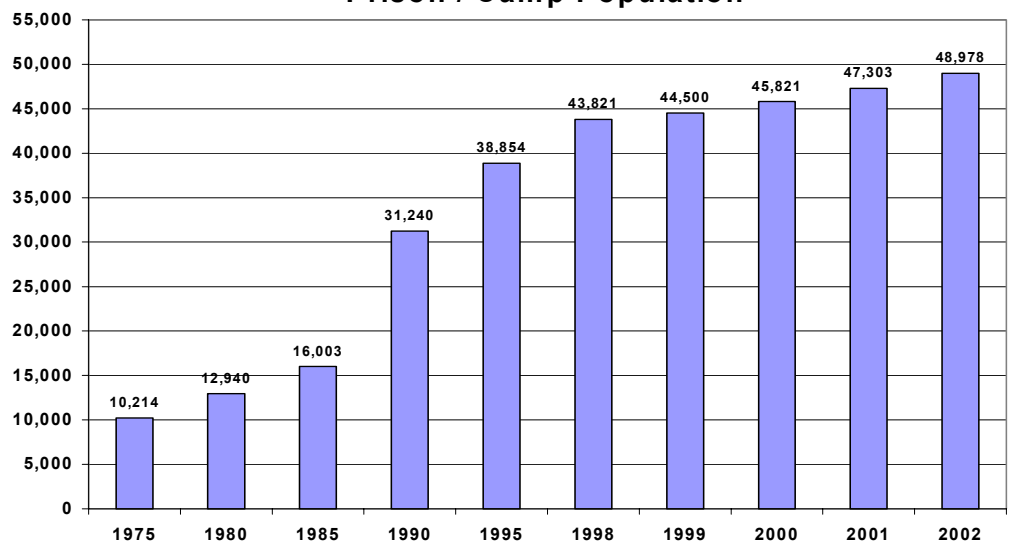
year 1999, the privately constructed and operated Michigan Youth Correctional Facility in Baldwin has housed such offenders. From fiscal year 1999 through fiscal year 2002, the department will utilize over \$48 million in federal Violent Offender Incarceration/Truth In Sentencing (VOI/TIS)

funds to operate this facility. This funding source, which is available due to the implementation of Truth In Sentencing in Michigan, has supported the operation of prison beds that would have otherwise increased the burden on the general fund. The fiscal year 2002 Executive Recommendation includes a shift of \$6.9 million of VOI/TIS funds from the Bellamy Creek Correctional Facility construction project to support operations at the Michigan Youth Correctional Facility.

Another cost efficiency has been generated through implementation of a managed care contract for prisoner health care. Before implementation of managed care for prisoners, health care costs were skyrocketing. In fiscal year 1998, it was estimated that prisoner hospital and specialty care costs would be over \$50 million. Managed care for prisoners since that time has saved the state an estimated \$20 million per year. For fiscal year 2002, estimated expenditures for hospital and specialty care remain under \$50 million even though the prisoner population has grown by over 5,100 since 1998.

A third way that the Department of Corrections reduces costs is through its criminal justice partnership with local governments. The fiscal year 2002 recommendation maintains \$18.5 million for the County Jail Reimbursement Program and \$13 million for Community Corrections Comprehensive Plans and services. Community corrections programs operate locally and provide judges

Prison / Camp Population



Prison population growth has slowed since 1998

with alternatives to sentencing felons to state prisons. The County Jail Reimbursement Program reimburses counties for housing felons who otherwise would be sentenced to a state prison.

Improving Individuals and the Community

Most prisoners will eventually return to the community. The Department of Corrections has many programs to help prisoners better themselves so that they can become productive citizens when they are released. Several of these

programs also provide prisoners the opportunity to contribute to the community while they are still behind bars.

One such program is the horticulture vocational program. The horticulture program is currently in place at 11 prisons and two camps. The program provides tens of thousands of pounds of produce for use in department facilities and for donation to community food banks. In 1999, the program donated 38,000 pounds of vegetables to 62 community organizations. The program also produces

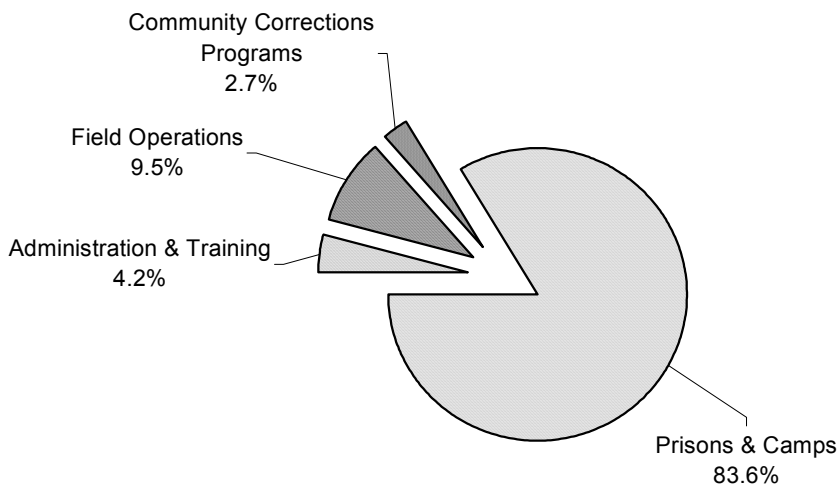
landscaping flowers and plants that are distributed to nursing homes, hospitals, and community beautification projects. Prisoners learn valuable skills while contributing food and plants to the community.

Another excellent vocational program is the building trades program that teaches construction skills to inmates. Working with Habitat for Humanity, the Michigan Prison Build Program helps provide affordable housing for low-income families. Since 1998, the department's program has been constructing pre-built wall panels for Habitat home sites. The program has now expanded so that a complete house can be constructed inside the perimeter of a prison and then moved to a site outside the prison walls. Prisoners also build cabinets, knit afghans, and provide landscaping materials for Habitat homes.

The Department of Corrections is also working cooperatively with the Department of Career Development to provide job placement services for paroled prisoners who have learned construction skills through the program.

Public service work programs are another way that prisoners can better themselves and the community. Each year, carefully screened minimum security prisoners perform over 1 million hours of labor in the community. These closely

Fiscal Year 2002 Spending



12% of
DOC's
budget
supports
community
services

supervised offenders help maintain public parks and cemeteries, perform work for the Department of Natural Resources, and wash cruisers for the Michigan State Police. They also collect thousands of bags of trash along public highways and wax floors in public buildings. Offenders perform a valuable community service while learning skills and work habits that will help them when they are released from prison.

Investing in the Future

With over 18,000 employees, the Department of Corrections has more employees than any other state department. Continued success in the twenty-first century will depend on effective leadership throughout the department. Governor Engler's fiscal year 2002 recommendation includes \$500,000 for the Employee Leadership Training Program.

The Employee Leadership Training Program will annually teach 2,000 employees leadership skills to help foster a successful working environment. Training will focus on communications, building trust, decision-making, team building, delegation, and innovation strategies. A leadership training council will make annual recommendations for curriculum to be included in the training. The program will provide mentoring throughout Corrections manager careers: from new sergeants and assistant resident unit supervisors, to wardens, regional prison administrators, and other top-level managers.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|----------------|----------------|----------------|----------------|
| In order to ensure public safety, reduce prison escapes to zero | 3 | 7 | 0 | 0 |
| In order to ensure public safety, maintain low rate of parole violators (rate of parole violator new sentences per 1,000 parolees) | 96.8 | 92 | 87.4 | 83 |
| In order to maintain a safe and secure prison environment, reduce the number of assaults against guards and inmates (rate per 100,000 prisoner days of incarceration) | 5.3 | 5.0 | 4.7 | 4.4 |
| In order to reduce prisoner idleness, increase percentage of prisoners in productive out-of-cell activities | 87% | 90% | 90% | 90% |

Department of State Police

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$185,571.2 | | | \$278,938.9 | \$301,563.4 | \$307,922.2 |
| All Funds | \$235,121.3 | | | \$379,514.3 | \$405,926.1 | \$415,210.8 |
| | % Change - GF/GP | | | | 8.1% | 2.1% |
| | % Change - All Funds | | | | 7.0% | 2.3% |

KEY ISSUES

| | | GF/GP | All Funds |
|---|-----------|--------------------|--------------------|
| Expansion of DNA Testing Staff | | \$541.0 | \$541.0 |
| Bomb Squad Equipment | | \$531.0 | \$531.0 |
| Federal Revenue Increases | | \$0.0 | \$2,100.0 |
| - Federal Emergency Management Agency | \$100.0 | | |
| - Department of Justice | \$2,000.0 | | |
| Fee Revenue Increases | | \$0.0 | \$1,185.0 |
| - Forensic Laboratory Funds | \$445.0 | | |
| - Concealed Weapons Enforcement Fees | \$140.0 | | |
| - Reimbursement for Services | \$600.0 | | |
| Additional Grants for Motor Carrier Enforcement | | \$0.0 | \$1,510.3 |
| - Motor Carrier Safety Assistance Program | \$1,015.2 | | |
| - Motor Carrier Fees | \$399.7 | | |
| - Interdepartmental Grant | \$95.4 | | |
| Fund Trooper Schools with Highway Safety Funds | | \$0.0 | \$1,961.3 |
| Removal of One-Time Funding | | (\$450.0) | (\$450.0) |
| Reduction in State Trunkline Funding | | \$0.0 | (\$3,361.5) |
| Budgetary Savings | | (\$1,547.3) | (\$1,547.3) |
| Economic Adjustments | | \$7,149.4 | \$8,513.6 |
| Other Adjustments | | <u>\$134.7</u> | <u>(\$1,698.7)</u> |
| Subtotal | | \$6,358.8 | \$9,284.7 |
| FY 2002 Executive Recommendation | | \$307,922.2 | \$415,210.8 |

Department of State Police

The Department of State Police provides leadership, coordination and delivery of law enforcement services throughout the state.

The fiscal year 2002 budget for the Department of State Police totals \$415.2 million, of which \$307.9 million is general fund. The recommended funding provides the necessary resources for the department to maintain a leadership role in the criminal justice community, helping to ensure a safe environment for the residents of Michigan.

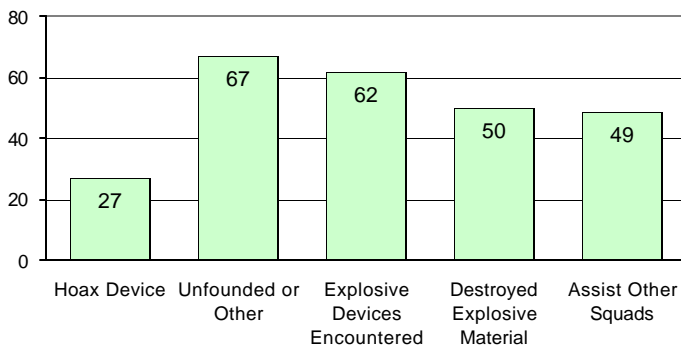
The Governor continues his commitment to the safety of Michigan citizens by maintaining trooper strength at 1,349, which will ensure a high number of well-trained and visible patrol troopers. Since 1991, Governor Engler has provided funding for twelve recruit schools. Funding for fiscal year 2002 will include approximately \$1.9 million in additional highway safety funds to conduct four smaller recruit schools that will promote higher levels of accountability and improved learning due to more individualized instruction.

Forensic Science

Using the latest technology, forensic scientists convert clues left by criminals into evidence admissible in a court of law. Today, forensic science is used in everything from roadside blood-alcohol testing to solving major crimes. The Department of State Police offers forensic services to all agencies within the Michigan criminal justice system including: DNA analysis, examination and analysis of drugs, latent fingerprints, firearms, toolmarks, explosives, questioned documents, serological and toxicological samples, processing of major crime and disaster scenes, and providing expert testimony in criminal court cases. During 2000, the Michigan State Police processed over 68,000 cases, responded to 470 major crime scenes and offered expert testimony in 865 cases. The fiscal year 2002 budget recommends an additional \$541,000 to hire 5 additional scientists and 2 additional technicians to process DNA samples. This will enable the department to expand DNA testing to samples where there are no known suspects. The fiscal year 2002 capital outlay budget adds \$1.0 million for special maintenance projects at the Northville Forensic Laboratory. Fees collected by the forensic laboratories are expected to increase by \$445,000 and will be used to purchase new equipment.

Bomb squads responded to over 200 threats in 2000

Bomb Squad Responses in 2000



Bomb Squads

The Michigan State Police have seven regionally located bomb squads that provide assistance with safe removal of suspected explosive or incendiary devices, preserve explosive related evidence, perform laboratory analysis of components, debris, or residue from bombs, and provide expert testimony. When possible, the department

uses robots to perform a wide variety of tasks including package surveillance and inspection, X-ray imaging analysis, and remote safety procedures. When use of a robot is not feasible, bomb squad technicians wear protective suits that are designed to reduce the effects of explosions. The fiscal year 2002 budget recommends an additional \$531,000 for the purchase of bomb squad equipment, including bomb suits, X-ray machines, and robots.

Computer Crimes

Rapid advances in computer technology have generated numerous opportunities for individuals to commit crimes. Computers are being used for child pornography, solicitation of minors, white collar fraud, cyber terrorism, homicide for hire, credit card fraud, and extortion. Computers are also being used to store evidence in narcotics trafficking, home invasions, stolen vehicles, prostitution, and smuggling.

The Michigan State Police maintains a computer crime unit in southeast Michigan and works with many other federal and state law enforcement agencies to create high-technology investigative teams to address the problems related to computer crime. The department continues to take a leadership role in developing and promoting a sound, long-range strategy for high-technology police work.

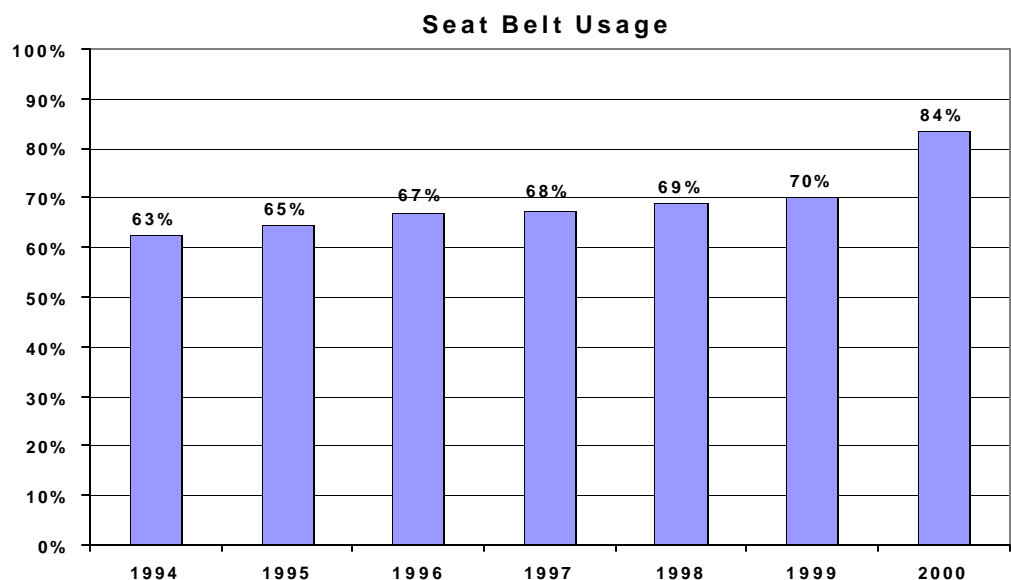
The Governor's fiscal year 2002 budget recommends the continuation of the computer crime unit to assist in computer crime investigations, to train other departments and agencies, and to gather and analyze data on the extent of computer crime in Michigan.



*More
drivers
buckle
up*

“Click it or Ticket” - Safety Belts Save Lives

State police work with community groups to promote traffic safety through a variety of programs that include enforcing the state's safety belt law, decreasing the incidence of drunk driving, and conducting safety education programs for youngsters. In 1999, Michigan's safety



STATE POLICE

E-9

belt law was strengthened to allow police officers to stop a vehicle if they observe the driver or front seat passenger not wearing a safety belt or not properly restraining a child. Since the new law took effect on March 10, 2000, safety belt use has increased from 70.1 percent to 83.5 percent.

Public Safety Communications System Enters Final Phase

Michigan's Public Safety Communications System is designed to be 99 percent reliable and to provide 97 percent statewide coverage with excellent audio quality and encrypted transmissions for security purposes. The state-of-the-art 800MHz communication system provides the infrastructure for an "information highway" capable of transmitting voice messages, images, data or other critical law enforcement information instantaneously between hundreds of public agencies comprising Michigan's criminal justice system.

Three of the four phases of the system infrastructure installation throughout Michigan are complete, with over 7,500 federal, state and local participants utilizing the system for voice communications in Michigan's lower peninsula. The infrastructure for the final phase in the Upper Peninsula is expected to be complete during the third quarter of 2001.

In an effort to address the needs and concerns of local users, State Police recently lowered the fees it charges for use of the Michigan Public Safety Communications System. This new fee structure is intended to attract more local users of the system, thereby improving the long-term viability of the system.

Motor Carrier Enforcement

The department provides Michigan residents with a safe motoring environment through its commercial motor vehicle enforcement and safety related programs. Motor carrier enforcement officers perform a full range of duties including:

- detection and apprehension of individuals who use commercial vehicles in criminal activities,
- identifying commercial vehicles that may cause damage to our highways,
- enforcing Michigan's drug and alcohol laws pertaining to commercial vehicles,
- conducting training programs that provide up-to-date regulatory and safety information,
- gathering of critical facts and evidence at crashes involving trucks, and
- monitoring commercial vehicle traffic speed to promote compliance and safe transit for the motoring public.

The fiscal year 2002 budget recommends utilizing \$1.0 million in available federal resources, \$399,700 of increased motor carrier fees and \$95,400 in transportation funds for increased safety inspections, training of motor carrier enforcement officers and additional vehicles to be used by new recruit school graduates.

Other Recommendations

The fiscal year 2002 budget includes \$2.0 million in federal Department of Justice resources to be awarded through a grant process to local first response teams. These funds can be used to purchase Department of Justice authorized equipment having to do with chemical, biological, or radiological detection or decontamination.

Fiscal Year 2001 Supplemental

A fiscal year 2001 supplemental recommendation includes \$17.0 million for disaster relief to victims of the September 2000 flooding in Wayne and Oakland counties and to 26 counties for emergency measures related to the heavy snowfall in December 2000.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------|---------|---------|---------|
| To enhance public safety, increase the percentage of crimes solved | 61% | 63% | 65% | 67% |
| In order to reduce traffic fatalities on Michigan roads, increase the percent of motorists using safety belts | 70.1% | 83.5% | 85% | 87% |
| Reduce traffic fatalities (rate per 100 million vehicle miles traveled) | 1.5 | 1.5 | 1.4 | 1.4 |
| To improve crime solutions through DNA analysis | | | | |
| • increase percentage of evidence samples analyzed in cases with known suspect | 91% | 89% | 91% | 97% |
| • increase percentage of evidence samples analyzed in cases without a known suspect | 0% | 0% | 0% | 20% |

Department of Military and Veterans Affairs

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|----------------------|-------------|--|--|-------------|-------------|-------------|
| GF/GP | \$23,289.3 | | | \$40,600.5 | \$41,856.9 | \$42,784.8 |
| All Funds | \$56,890.9 | | | \$95,862.0 | \$101,172.7 | \$102,818.7 |
| % Change - GF/GP | | | | | 3.1% | 2.2% |
| % Change - All Funds | | | | | 5.5% | 1.6% |

| KEY ISSUES | GF/GP | All Funds |
|--|-------------------|--------------------|
| Increased Support for ChalleNGe Program | \$210.7 | \$306.6 |
| Adjust Tuition Assistance Program to Reflect Spending Trends | (\$200.0) | (\$200.0) |
| Adjust Revenues to Reflect Actual Collections | \$0.0 | (\$334.2) |
| Budgetary Savings | (\$215.0) | (\$215.0) |
| Economic Adjustments | \$1,028.7 | \$1,961.9 |
| Other Adjustments | <u>\$103.5</u> | <u>\$126.7</u> |
| Subtotal | \$927.9 | \$1,646.0 |
| FY 2002 Executive Recommendation | \$42,784.8 | \$102,818.7 |

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs is responsible for training and administration of army and air national guard forces, providing combat-ready reserve military forces during times of national emergency, and performing a variety of civil relief operations in state emergencies. The department is also responsible for addressing the needs of Michigan veterans through more than 1,000 state-licensed nursing care beds at veterans' homes in Grand Rapids and Marquette. In addition, the department administers funding for veterans' service organizations, the Michigan Veterans' Trust Fund and the tuition assistance program for members of the National Guard and veterans' survivors.

The Governor's fiscal year 2002 recommendation for the Department of Military and Veterans Affairs reflects total funding of \$102.8 million, \$42.8 million general fund, a 2.2 percent general fund increase from fiscal year 2001. The department spends 63 percent of its budget for the operation of veterans' homes, Veterans' Trust Fund operations and Veterans' Service Organization grants. An additional 33 percent is spent on military preparedness to protect the lives and property of Michigan residents and to assist the federal government in defending the sovereign interests of the United States.

ChalleNGe Program

The Governor's fiscal year 2002 budget recommends an increase of \$306,600 to support the Michigan Youth ChalleNGe Academy. These added funds will help to ensure that ChalleNGe graduates become productive members of society in the post-residential phase of the program.

"I cried like a baby at graduation. It was one of the proudest moments in my life to see my son, who was in juvenile detention, graduating in a military-style ceremony."

**David, father of recent ChalleNGe graduate,
Saginaw News, December 12, 2000**

ChalleNGe consists of a 22-week residential program that targets Michigan high school dropouts and is designed to improve life skills and employment potential through military-based training. The objective is to target youth who are at the greatest risk, provide them with the tools and experiences to succeed, and assist them to become productive, law-abiding, taxpaying citizens.

Each participant of the ChalleNGe program completes physical training, classroom instruction and community service work before graduation. The final 12-month phase of the program encourages the recent graduates to continue their education or enter the job market with the help of volunteer mentors who play an active role in their success.

Training Facilities

The fiscal year 2002 budget recommendation provides \$15.6 million for the maintenance and operation of approximately 25 major training and support facilities for the Michigan Army and Air National Guard units. The training

facilities provide an integrated, year-round, realistic training environment which enables military units to enhance their combat readiness.

The department also maintains 51 armories throughout the state. The capital outlay portion of the budget fully leverages available federal funding and includes \$2.3 million, \$1.0 million general fund, for armory infrastructure improvements and ADA compliance.

Veterans' Service Organizations

The fiscal year 2002 budget recommendation includes \$3.9 million to fund veterans' service organizations throughout the state that assist veterans and their families to qualify for federal programs and benefits. State funds supplement the operation of the veterans' service organizations, including payment of salaries of advocacy officers as well as necessary support and managerial staff. State funds also help to cover the cost of training, equipment, and various other expenses.

Michigan Veterans' Homes

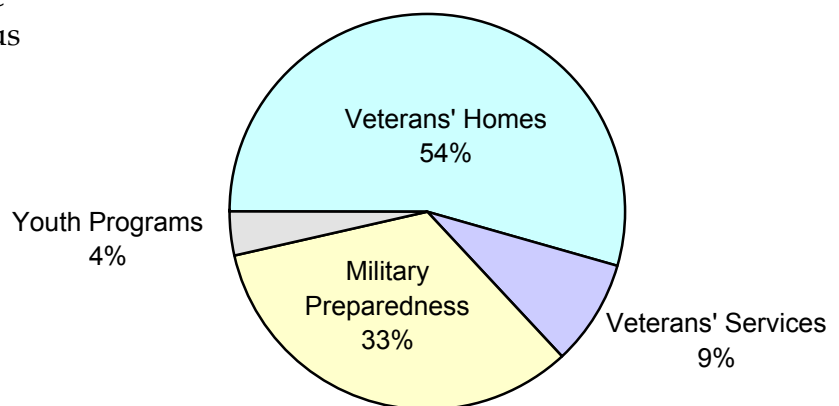
The Grand Rapids and D.J. Jacobetti Veterans' Homes are symbols of Michigan's promise to its veterans that, in return for their sacrifice and call to duty, they will be cared for in their time of need. The homes have a distinguished tradition of meeting the ever-changing needs of Michigan veterans through the flexible delivery of effective services designed to enhance their quality of life.

The Grand Rapids Veterans' Home, established in 1886, has a capacity of 755 nursing care and residential beds, making it the largest long-term nursing facility in Michigan. The D.J. Jacobetti Veterans' Home, located in Marquette, was established in 1981 and provides northern Michigan veterans with 241 nursing care and residential beds.

During the early 1990s, the veterans' homes and the Department of Military and Veterans Affairs embarked on an aggressive effort to increase staffing levels and attain full compliance with applicable state licensing requirements. As a result, both veterans' homes have maintained all federal and state licensure standards since 1995. Commitment to efficiency and cost savings has allowed available revenue to be redirected toward major bed replacements at both homes, with targeted completion during the spring of 2001.

The fiscal year 2002 budget recommends \$55.6 million, \$21.5 million general fund, to support these two homes. The capital outlay budget also includes \$355,000 for improvements at these homes. The veterans' homes are also supported by a combination of federal funds, fees and private donations.

Fiscal Year 2002 Spending



Over 60% of the department's budget provides services for veterans

Michigan Veterans' Trust Fund

The Michigan Veterans' Trust Fund was established in 1946 with a \$50 million post-war endowment to provide temporary assistance to veterans, their widows and dependents. The fiscal year 2002 budget recommendation includes an appropriation of \$4.8 million from the interest earned on the fund. Veterans are guaranteed that the money from the fund will be used for services to veterans such as emergency grants for housing, utilities, food, and medical needs, as well as tuition grants for children of deceased or disabled veterans.

Other Fiscal Year 2002 Recommendations

Governor Engler recently signed Act 472 of 2000 to increase annual survivor benefits for National Guard spouses from \$300 to \$500. The fiscal year 2002 budget continues support for the survivor benefits and provides an increase of \$103,500 for special duty personnel and military retirement expenses and adjusts revenue sources to more accurately reflect spending trends and revenue collections.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|----------------|----------------|----------------|----------------|
| In order to improve the skills of the Michigan National Guard, increase the percentage of Guard members who have some college education | 44% | 44% | 45% | 46% |
| In order to improve the future life skills and employment potential of high school dropouts: <ul style="list-style-type: none">• Increase the percentage of cadets who successfully graduate from the Michigan Youth ChalleNGe Academy• Increase the percentage of ChalleNGe graduates who become productive members of society by either returning to high school, earning a GED, enrolling in college, joining the military or working | N/A N/A | 53% 39% | 55% 38% | 55% 55% |
| In order to protect veterans and family members residing in state-operated nursing facilities, ensure that beds are in compliance with state and federal licensing requirements | 100% | 100% | 100% | 100% |

Judiciary

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$111,835.2 | | | \$165,882.9 | \$170,316.8 | \$181,764.2 |
| All Funds | \$153,347.0 | | | \$231,322.0 | \$236,914.0 | \$247,990.2 |
| | % Change - GF/GP | | | | 2.7% | 6.7% |
| | % Change - All Funds | | | | 2.4% | 4.7% |

KEY ISSUES

GF/GP

All Funds

| | | |
|--|--------------------|--------------------|
| P.A. 374 of 1996 | | |
| Trial Court Operations - Court Equity Fund Reimbursement | \$4,000.0 | \$4,000.0 |
| Trial Court Operations - Hold Harmless Reimbursement | (\$4,000.0) | (\$4,000.0) |
| Child Support Enforcement System Liaison | \$40.0 | \$90.0 |
| Federal Grant Increase | \$0.0 | \$450.1 |
| Appellate Public Defender Program Grant Increase | \$0.0 | \$36.5 |
| Remove Funding for Part-Time Probate Judge Conversion | (\$473.0) | (\$473.0) |
| One-time Funding Adjustments | (\$70.0) | (\$70.0) |
| Economic Adjustments | \$11,950.4 | \$12,312.5 |
| Other Adjustments | <u>\$0.0</u> | <u>(\$1,269.9)</u> |
| Subtotal | \$11,447.4 | \$11,076.2 |
| FY 2002 Executive Recommendation | \$181,764.2 | \$247,990.2 |

Judiciary

Michigan's Constitution vests the judicial power of the state exclusively in a court system composed of the Supreme Court, the Court of Appeals, the circuit court (which is the trial court of general jurisdiction, including the family court division), the probate court, and courts of limited jurisdiction such as the Court of Claims, district court and municipal courts. Further, the Constitution provides that the Supreme Court has general superintending control over all courts. The statewide court system is administered by the Justices through the State Court Administrative Office. Education and training for judges and court staff are provided through the Michigan Judicial Institute.

The fiscal year 2002 budget recommendation for the Judicial branch of government is \$248.0 million, of which \$181.8 million is general fund. The Judiciary budget includes funding for judicial salaries, operational expenses of the Supreme Court and Court of Appeals, management assistance to local courts, operational support for local trial courts, and indigent defense legal assistance.

Court Operations

The recommended budget includes \$77.8 million in funding for court equity fund reimbursements to local units of government to support local trial court operations. The fiscal year 2002 recommendation provides the final transfer of \$4.0 million in Hold Harmless Reimbursement resources to the state Court Equity Fund in accord with the requirements of P.A. 374 of 1996.

Funding support of \$1.2 million is maintained for the two-year-old drug court program operated at the local trial court level. Drug courts are specifically designed to address substance abuse problems among nonviolent offenders. Early, continuous and intense judicially supervised programs are combined with mandatory drug testing in an effort to reduce criminal behavior and substance abuse.

Other Adjustments

The fiscal year 2002 recommendation adds \$90,000 to support a full-time court liaison to work with local courts and the Family Independence Agency on implementation issues associated with the Child Support Enforcement System.

Federal funding is increased by \$450,100 for several initiatives, including child support training for local court and Family Independence Agency staff on processes for identifying and locating absent parents. This federal funding will also support enforcement of the underage drinking law and victim's assistance efforts. In addition, the State Appellate Defender's Office has been awarded \$36,500 to assist public defenders with legal research.

The recommendation includes various economic adjustments including an increase in building occupancy resources to cover costs associated with the relocation of Supreme Court and the Court of Appeals offices in Detroit to the Cadillac Place building. A corresponding reduction in private rent costs will partially offset this increase.

Finally, funding provided in fiscal year 2001 in anticipation of legislation to convert part-time probate judges to full time status is eliminated, since the required legislation has not yet passed.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------------|----------------|----------------|----------------|
| In order to provide timely access to justice, dispose of 80% to 90% of Supreme Court appeals within 290 days (Recognizes the American Bar Association 290 day standard for Supreme Court dispositions) | 81% | 94% | >80% | >80% |
| In order to provide timely access to justice, resolve at least 90% of Court of Appeals cases in less than 18 months | 86% | 87% | 90% | 90% |
| In order to provide an alternative to costly litigation <ul style="list-style-type: none"> increase the percentage of cases resolved through mediation prior to filing a legal proceeding increase the percentage of cases resolved through dispute resolution, retracting filed lawsuits | 6% 49% | 16% 54% | 35% 60% | 50% 65% |
| Keep recidivism rate for drug courts below 16% | N/A | 8.5% | <16% | <16% |

Family Independence Agency

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|---------------|----------------------|--|---------------|---------------|---------------|
| GF/GP | \$1,866,434.2 | | | \$1,088,729.5 | \$1,216,997.5 | \$1,199,738.5 |
| All Funds | \$3,475,242.7 | | | \$3,668,259.5 | \$3,591,822.5 | \$3,660,237.7 |
| | | % Change -GF/GP | | | 11.8% | -1.4% |
| | | % Change - All Funds | | | -2.1% | 1.9% |

| KEY ISSUES | GF/GP | ALL FUNDS |
|---|----------------------|----------------------|
| Child Support Enforcement System Development | \$8,958.6 | \$36,960.5 |
| Adjust Legal Support Contracts to Expected Spending Level | \$0.0 | \$8,400.0 |
| Rate Increases for Critical Programs | | |
| -- Family Independence Program 2% Grant Increase for Clients Unable to Work | \$0.0 | \$2,100.0 |
| -- Foster and Adoptive Parents 2% Rate Increase | \$2,100.0 | \$5,000.0 |
| -- State Disability Assistance 2% Increase | \$400.0 | \$400.0 |
| Family Independence Program Caseload Increase | \$0.0 | \$7,086.4 |
| Adjust TANF Appropriations to Expected Spending Level | \$0.0 | (\$28,875.8) |
| Realign TANF Maintenance of Effort Funding | (\$30,000.0) | \$0.0 |
| Child Day Care Caseload Increase | \$0.0 | \$24,000.0 |
| State Disability Assistance - Adjust to Expected Spending Level | (\$2,065.3) | (\$2,065.3) |
| Adoption Subsidy Caseload Increase | \$5,289.6 | \$19,081.0 |
| Adjust Foster Care to Expected Spending Level | (\$21,343.8) | (\$40,435.1) |
| Child Care Fund Utilization Increase | \$20,447.5 | \$33,947.5 |
| State Emergency Relief Increase | \$1,080.0 | \$1,200.0 |
| Budgetary Savings | (\$6,028.8) | (\$6,028.8) |
| Economic Adjustments | \$8,421.5 | \$22,447.2 |
| Other Adjustments | <u>(\$4,518.3)</u> | <u>(\$14,802.4)</u> |
| Subtotal | (\$17,259.0) | \$68,415.2 |
| FY 2002 Executive Recommendation | \$1,199,738.5 | \$3,660,237.7 |

Family Independence Agency

Low-income spending has shifted from poverty relief to services, education and health care

The Family Independence Agency (FIA) assists individuals and families to meet financial, medical, and social needs; helps people move toward self-sufficiency; and works to prevent abuse, neglect, and exploitation of both children and adults. The fiscal year 2002 recommendation of more than \$3.66 billion, of which \$1.2 billion is general fund, will allow FIA to continue to focus resources on numerous service and financial programs to achieve this mission.

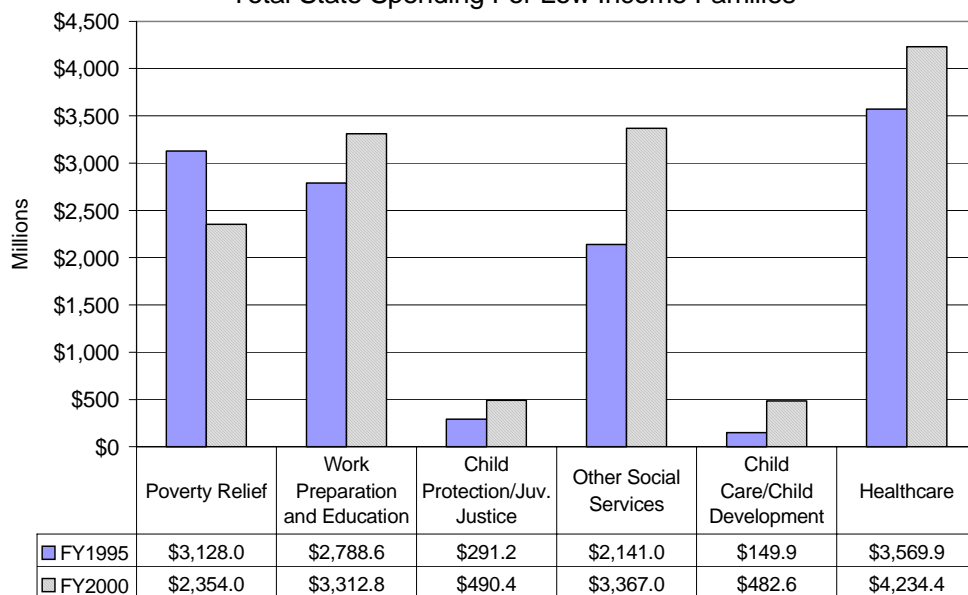
Spending on Programs for Low-Income Families

A recent study completed by the State Budget Office demonstrates Michigan's commitment to assist low-income families. The study revealed that state spending on Michigan's low-income families increased 24 percent from fiscal year 1995 to 2000.

In addition to this increase, Michigan shifted priorities from "poverty relief" to programs that help families move from welfare into the work force. In fiscal year

1995, poverty relief expenditures represented 26 percent of total spending on low-income families. By fiscal year 2000, largely because of the success of Michigan's welfare reform initiative in reducing the welfare caseload, poverty relief declined by almost \$775 million. However, spending on child day care, employment programs, health care, and other social services increased \$2.9 billion.

Total State Spending For Low Income Families



In addition:

- Child care and child development programs in Michigan experienced dramatic expenditure growth of 222 percent since fiscal year 1995. These programs assist low-income families to obtain and retain employment by partially subsidizing the cost of child day care.
- The cost of tax relief programs that assist low-income families and individuals has increased by more than \$120 million since fiscal year 1995.
- Michigan increased spending on School Aid programs for children of low-income families by more than \$1 billion since fiscal year 1995. School

readiness programs, preschool services, and special education programs were all increased.

- Health care spending on low-income families and individuals also increased, but not nearly as rapidly as other areas. Health care costs, primarily Medicaid, increased 24 percent, or less than 5 percent per year. This relatively modest growth is largely attributable to the efficiencies generated by the expansion of the Medicaid managed care program.

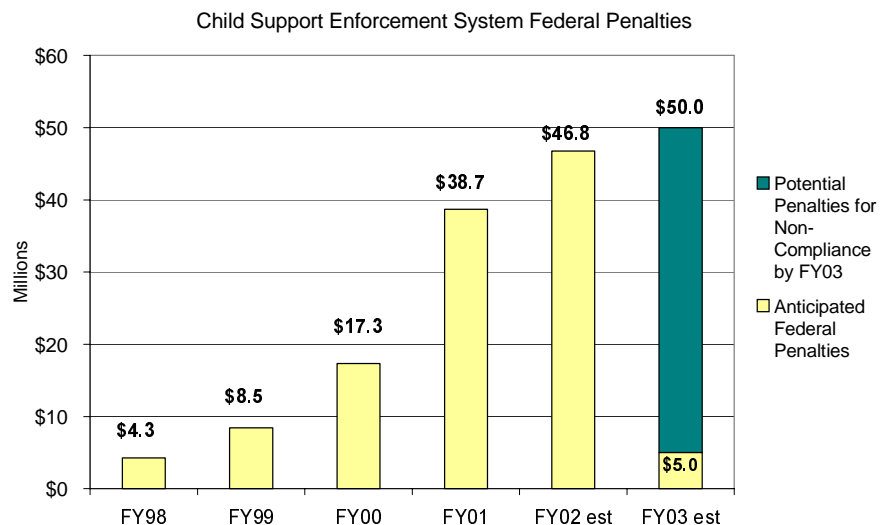
The fiscal year 2002 budget for the Family Independence Agency demonstrates the transition in spending on low income families from “poverty relief” programs into education and job training programs in Michigan. The 1996 federal welfare reform law requires Michigan to spend \$468 million in state funds annually on public assistance programs. This spending, referred to as a maintenance of effort requirement, has historically been met through spending in the Family Independence Agency. However, over the last two years, increases of more than \$100 million in school readiness programs have been appropriated in the School Aid Act. The fiscal year 2002 Executive Budget recommends that these School Aid expenditures be used to meet Michigan’s maintenance of effort requirement, freeing up \$30 million general fund in the FIA budget for other purposes.

Child Support System

The child support system in Michigan is a joint federal, state, and local partnership that locates non-custodial parents, establishes paternity, enforces child support orders, and collects child support payments. Federal law, title IV-D of the Social Security Act, sets program standards that states must meet in order to be eligible for a variety of sources of federal funding, including approximately \$225 million in title IV-D federal funding. Among these standards is the requirement that states operate an approved statewide child support computer system.

Michigan’s county-based system has been unable to meet the federal requirements for a certified child support computer system. Michigan has been financially penalized for this failure since fiscal year 1998. If the requirements are not met by the end of fiscal year 2002, the federal government will impose an additional \$46.8 million penalty. Though it is possible that congressional action could provide some relief from the penalty, there is no guarantee that this will occur. It is clear, however, that continued payment of this penalty will limit Michigan’s ability to provide other social services to needy families.

Child support penalties will total more than \$115 million by 2002



The fiscal year 2002 budget recommends an aggressive strategy to implement a computer system that complies with federal requirements and permits Michigan to avoid the \$46.8 million penalty. As the chart shows, failure to succeed will result in continued and escalating penalties – an option that Michigan cannot accept. Therefore, the fiscal year 2002 budget includes a \$102 million appropriation for system development, a \$37 million increase over current year funding.

Funding increases alone, however, will not produce a system that meets federal requirements. Better cooperation between the state, county government, local Friends of the Court, and the judiciary will also be required. Accordingly, in order to ensure cooperation, boilerplate language has been recommended which permits FIA to impose financial penalties against counties who do not cooperate in implementing the state's plan to build a successful system.

Caseload Related Recommendations

The Family Independence Program (FIP) caseload has stabilized at historically low levels. The current caseload of 67,564 (December 2000) is expected to increase slightly to 68,500 in fiscal year 2001. In fiscal year 2002, the caseload is expected to average 65,700. This caseload is a decline of 163,600 cases – a drop of over 71 percent – from the 229,300 peak experienced in fiscal year 1993. An increase of \$7 million has been recommended in the budget to fund this caseload increase.

The number of low income families receiving child day care subsidies is projected to rise from 73,100 in fiscal year 2001 to 75,400 in fiscal year 2002. A total of \$24 million is recommended to finance this increase. This increase will be primarily financed with increased federal child care development funds.

Other recommended caseload changes include:

- State Disability Assistance Adjustments – The State Disability Assistance caseload is expected to drop by 300 cases to 6,700 cases from fiscal year 2001 to fiscal year 2002. This caseload reduction, in conjunction with an adjustment to bring the appropriation closer to the actual spending level, will result in a cost savings for the state of more than \$2 million, all general fund.
- Foster Care and Child Care Fund Spending Shift – The Foster Care account serves children who have been made wards of the state and also covers court wards eligible for federal foster care funding. The Child Care Fund serves children who have been classified as court wards. Wayne County recently initiated an effort to classify more children as court wards and to deliver services to these children through a managed care approach. As a result of this change, and similar smaller efforts in other counties, the cost of out-of-home care is shifting from the Foster Care account to the Child Care Fund account. Largely because of this change,

the fiscal year 2002 Executive Budget recommends a decline of \$40.4 million in the Foster Care appropriation and a corresponding \$33.9 million increase in the Child Care Fund appropriation.

- Adoption Subsidy Program — FIA's efforts to find permanent homes for children in foster care continues to be successful. The Adoption Subsidy caseload is projected to increase by 1,700 cases from 19,500 to 21,200 in fiscal year 2002, a one-year increase of nearly 9 percent. Additional funding of \$19.1 million (\$5.3 million general fund) is recommended to finance this caseload increase.
- State Emergency Relief Base Increase — A \$1.2 million (\$1.1 million general fund) adjustment in the State Emergency Relief program will finance expected increases for home repairs, rent assistance, and other forms of emergency assistance.

Rate Increases

Rate increases are recommended in fiscal year 2002, again demonstrating the Governor's commitment to crucial FIA programs. Recommended increases include:

- FIP Clients Who are Unable to Work — For the third consecutive year, an increase is recommended in the FIP grant for families whose adult caretaker is unable to work. This 2 percent increase will cost an additional \$2.1 million.
- Foster and Adoptive Parents — In order to keep pace with inflation, \$5 million (\$2.1 million general fund) is added to fund a 2 percent rate increase for foster and adoptive parents.
- State Disability Assistance Clients — Approximately 6,700 disabled recipients will receive a 2 percent inflationary increase at a cost of \$400,000 general fund. This is the second consecutive year in which an increase has been recommended for this program.

Project Zero Goes Statewide – Majority of Sites Reach Zero Status

The distinguished Project Zero program illustrates Michigan's commitment and success in helping families overcome barriers to employment. Project Zero became a statewide operation in fiscal year 2001. Since it began as a pilot project in 1997, more than 75 percent of the Project Zero sites have achieved 100 percent employment for all target cases. Services and programs provided through the efforts of various state and local agencies assist families to become self-sufficient and overcome employment barriers

"Project Zero is in the forefront of the nation's welfare reform initiatives. No other program does as much for so many in terms of helping people make the transition from welfare to work."

Governor John Engler, November 9, 2000

such as transportation problems, exceptional child day care needs, less than adequate job skills, and other such obstacles.

Fiscal Year 2001 Supplemental

The state is prohibited by law from spending restricted revenue that it does not receive. Due to Michigan's failure to operate a federally approved child support computer system, the Federal government has reduced Michigan's title IV-D reimbursement by \$38.7 million. These federal funds match state and local spending on child support activities. Unless and until the legislature approves a fiscal year 2001 supplemental, both state and local units of government will receive reduced federal reimbursement. This reduced reimbursement will be distributed proportionately to all agencies that earn title IV-D federal funds. The Family Independence Agency will earn \$16 million less in federal reimbursement than it normally would and local units of government will earn \$23 million less.

The Governor recommends a fiscal year 2001 supplemental to partially replace these lost federal funds with state general fund dollars. This replacement funding will be available to the Family Independence Agency and to those local units of government that are currently operating the state enforcement system or that are actively cooperating in implementing the state system in their counties. Local units of government that do not cooperate in implementation activities will be required to absorb the loss of federal funds in their own budgets. There are currently 10 counties that are not operating the child support enforcement system. Those counties will not receive state supplemental funding until they fully commit to building and implementing a certifiable computer system. Sharing the penalty among all child support agencies demonstrates the importance and urgency of meeting federal standards and eliminating this exceedingly costly penalty.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------|---------|---------|---------|
| <p>Permanency will be achieved for children in the department's care</p> <ul style="list-style-type: none"> The number of children adopted will increase by 7% each year The number of children in foster care longer than 24 months will be 20% or less of the total foster care population 80% of the children in foster care will be in a permanent placement within 12 months of their initial placement Increase the number of licensed foster homes to meet the needs of children in out-of-home placements | 2417 | 2700 | 2900 | 3100 |
| | 20% | 21% | 20% | 20% |
| | 63% | 80% | 80% | 80% |
| | 6774 | 7000 | 7500 | 7500 |
| <p>Safety and protection for children, adults, and communities</p> <ul style="list-style-type: none"> Decrease the percentage of re-referrals for abuse and neglect cases to no more than 25% of the total abuse and neglect caseload At least 80% of juvenile justice youth under FIA supervision will remain free of a felony conviction for two years following release from a residential placement 100% of substantiated adult protective services cases will result in the adult living in a safe and secure setting of his/her choice | 33% | 34% | 25% | 25% |
| | 75% | 77% | 80% | 80% |
| | 100% | 100% | 100% | 100% |
| <p>Achieving self-sufficiency for Family Independence Program recipients</p> <ul style="list-style-type: none"> Meet or exceed the federal Personal Responsibility Act employment targets: <ul style="list-style-type: none"> 1) All Families 2) Two-Parent Families <i>Note: The Federal law allows these statutory targets to be adjusted downward to reflect caseload declines. The targets reflected on this table for FY 2000, FY 2001 and FY 2002 have not been adjusted</i> Increase the percentage of Project Zero sites achieving 100% of targeted cases with earned income | 43.8% | 40% | 45% | 50% |
| | 69.1% | 90% | 90% | 90% |
| | 63% | 73% | 81% | 90% |
| <p>Performance management and program integrity</p> <ul style="list-style-type: none"> Reduce the food stamp error rate | 17.59% | 13.0% | 11.7% | 10.7% |

Department of Community Health

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|-------------|----------------------|--|-------------|-------------|-------------|
| GF/GP | 1,771,891.1 | | | 2,639,994.0 | 2,686,991.2 | 2,729,424.8 |
| All Funds | 3,308,981.9 | | | 8,174,409.5 | 8,562,877.9 | 8,771,577.2 |
| | | % Change - GF/GP | | | 1.78% | 1.58% |
| | | % Change - All Funds | | | 4.75% | 2.44% |

| KEY ISSUES | GF/GP | All Funds |
|--|----------------------|----------------------|
| Medicaid Inflation, Caseload, and Utilization Changes | \$43,293.6 | \$99,206.2 |
| Medicaid 2% Rate Increase | \$27,555.5 | \$62,470.0 |
| Adjust Special Financing to Expected Levels | \$0.0 | \$49,264.2 |
| Expand Medicaid Eligibility for Treatment of Breast and Cervical Cancer | \$298.2 | \$976.0 |
| Pharmacy Savings | (\$11,982.8) | (\$15,966.0) |
| Federal Medical Assistance Percentage (FMAP) Change | (\$12,109.1) | \$0.0 |
| Full year funding for Elderly Prescription Insurance Coverage (EPIC) Program | \$0.0 | \$11,000.0 |
| Children's Waiver Home Care 17% Rate Increase | \$1,176.5 | \$2,196.1 |
| Children's Special Health Care Inflation, Caseload, and Utilization Changes | \$1,562.3 | \$2,893.6 |
| Children's Special Health Care 2% Rate Increase | \$1,536.4 | \$2,957.8 |
| Limit Medicaid Mental Health Program to Medicaid Eligibles | (\$15,149.0) | (\$34,713.5) |
| Medicaid Mental Health 3% Rate Increase | \$15,149.0 | \$34,713.5 |
| Rate Increase of 2% for Non-Medicaid Mental Health Program | \$6,276.5 | \$6,276.5 |
| Substance Abuse Services 2% Rate Increase | \$216.9 | \$497.0 |
| Local Public Health Operations 2% Economic Increase | \$821.4 | \$821.4 |
| Reduce Healthy Michigan Appropriation to Available Revenues | \$0.0 | (\$10,225.0) |
| Budgetary Savings | (\$13,722.4) | (\$13,722.4) |
| Economic Adjustments | \$6,049.3 | \$10,159.1 |
| Other Adjustments | <u>(\$8,538.7)</u> | <u>(\$105.2)</u> |
| Subtotal | \$42,433.6 | \$208,699.3 |
| FY 2002 Executive Recommendation | \$2,729,424.8 | \$8,771,577.2 |

Department of Community Health

Spending for community mental health is up over 65 percent and long-term care up 50 percent since 1996

The Department of Community Health is responsible for health policy and management of the state's publicly-funded health services systems. These programs include Medicaid health coverage for persons with limited incomes, mental health services for people who have a mental illness or a developmental disability, services for individuals who need care for substance abuse, and services provided through local public health operations. The department also provides services to promote the independence and preserve the dignity of Michigan's older persons. Each year, an estimated 1.5 million Michigan residents receive services that are provided with total or partial support from the Department of Community Health.

The fiscal year 2002 Executive recommendation for the Department of Community Health is \$8.8 billion, of which \$2.7 billion is general fund.

Within the overall Department of Community Health budget, some health care components are growing more rapidly than others. In the past decade, the state has financed significant spending increases in the areas of community mental health care and long-term care.

When comparing fiscal year 1996 spending levels with subsequent fiscal years, the rate of growth for the physical health component of Medicaid has been moderate. Spending for community mental health services increased dramatically, largely due to the policy priority of shifting services from

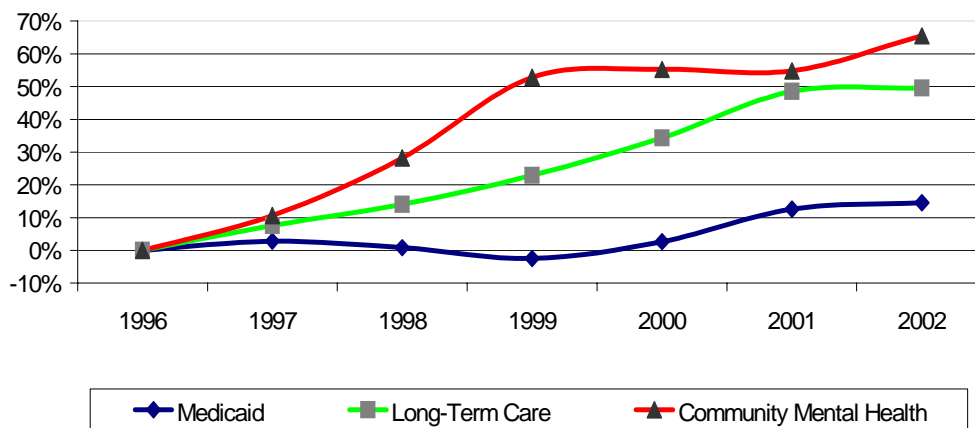
institutions to the community. Spending for long-term care has increased 50 percent since 1996, making it one of the fastest growing segments in the Medicaid program.

Physical Health Services Medicaid - The Medicaid program continues to provide quality health coverage for over one million people with low

incomes. The fiscal year 2002 recommendation for these programs totals \$4.2 billion, including an increase of \$99.2 million, \$43.3 million general fund, to finance price and utilization cost increases.

The recommendation also increases appropriations by \$62.5 million, \$27.6 million general fund, to fund two percent discretionary increases for Medicaid service providers. Discretionary increases in the last several years have greatly outpaced the rate of inflation for most service providers. The following table

**Health Care Growth
Fiscal Years 1996 - 2002**



shows the increases for fiscal years 2000 and 2001, as well as the 2002 Executive recommendation, including the cumulative impact of the increases.

Medicaid Rate Increases

The cumulative three-year cost of optional Medicaid economic increases totals more than \$1 billion, \$450 million general fund, an amount which demonstrates

| Fiscal Year | 2000 | 2001 | 2002 | Cumulative Increase |
|----------------------------------|-------|-------|------|---------------------|
| Consumer Price Index | 3.4% | 3.0% | 2.8% | 9.5% |
| Home Health Care | 15.0% | 4.0% | 2.0% | 22.0% |
| Physician Services | 4.0% | 11.0% | 2.0% | 18.9% |
| Hospital Outpatient Services | 3.1% | 11.0% | 2.0% | 16.7% |
| Health Maintenance Organizations | 0.0% | 11.7% | 2.0% | 13.9% |
| Long Term Care | 4.0% | 5.4% | 2.0% | 11.8% |
| Auxiliary Medical Services | 4.0% | 5.0% | 2.0% | 11.4% |
| Hospital Inpatient Services | 0.0% | 4.0% | 2.0% | 6.1% |

Michigan's ongoing commitment to this important program.

Economic increases given to Medicaid providers have outpaced inflation

Breast and Cervical Cancer Treatment Program – The fiscal year 2002 recommendation includes an increase of nearly \$1 million to finance a new optional Medicaid program for the treatment of breast and cervical cancer. The program will work in conjunction with an existing federal breast and cervical cancer screening program for women who have incomes below 250 percent of poverty and who lack other health insurance. The new program will provide cancer treatment and other Medicaid services for women who are diagnosed through the screening program.

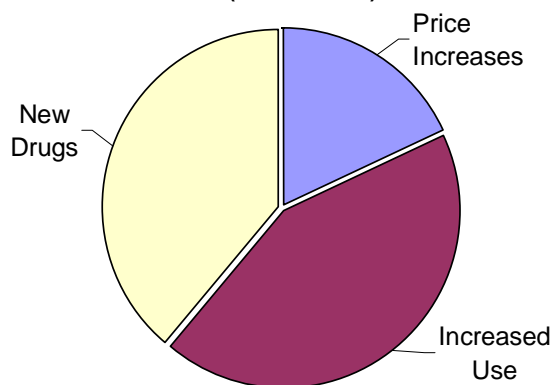
Elder Prescription Insurance Coverage (EPIC) – The Governor recently signed P.A. 499 of 2000 which authorizes the establishment of the Elder Prescription Insurance Coverage program on October 1, 2001. The fiscal year 2002 Executive Budget recommends an \$11 million increase in tobacco settlement funding to provide full year funding for the EPIC program, bringing total EPIC funding to \$50 million. EPIC will provide prescription drug benefits for senior citizens who are 65 years of age or older, with household incomes at or below 200 percent of poverty. Participants will pay an annual application fee and co-payments based on income.

Consistent with the provisions of P.A. 499 of 2000, the Senior Citizen Prescription Drug Tax Credit program will continue to be available through the 2001 tax year and then discontinued. The Michigan Emergency Pharmaceutical Program for Seniors (MEPPS) will be incorporated into the EPIC program effective October 1, 2001.

Pharmaceutical Costs – Like all states, Michigan is experiencing rapid cost increases in its Medicaid pharmaceutical program. In fiscal year 1999, fee-for-service pharmacy expenditures totaled \$265 million. The fiscal year 2002 Executive Budget recommends a funding level of \$489 million, 85 percent above the fiscal year 1999 expenditures.

Leading Causes for Prescription Cost Increases

(National Data)



Industry experts predict that inflation for pharmacy costs will continue to increase 15 to 20 percent a year. While price increases on individual products impact this overall growth, utilization increases resulting from direct consumer advertising and new, higher cost products are leading causes of double-digit inflation. For example, Medicaid's average arthritic prescription cost increased 50 percent when two new widely marketed arthritic drugs were introduced at costs near \$70 per month.

Over and above standard inflation, Medicaid pharmacy costs are rising from shifts away from management of pharmacy services to a fee-for-

service system. For example, federal mandates have forced elderly individuals out of managed care and into fee-for-service arrangements. The current Medicaid fee-for-service system does not employ the cost and utilization controls used by managed care organizations. Therefore, fee-for-service pharmacy inflation will not decrease unless cost controls are implemented.

Drug cost increases are primarily due to new products and increased utilization

The Governor's fiscal year 2002 recommendation includes a variety of pharmacy-related cost containment options designed to generate savings of \$16 million gross. These cost containment options include: lowering the pharmacy dispensing fee, increasing patient co-payments, collecting manufacturer rebates for non-Medicaid pharmacy drugs, implementing a mail-order pharmacy option, and limiting coverage to cost-effective, therapeutic products.

Alternatives to Institutional Care for the Elderly and Disabled - Recognizing the importance seniors and persons with disabilities place on community-based care, Michigan continues to support a range of alternatives to institutional care, such as the Medicaid Adult Home Help program and Medicaid Home and Community Based Waiver Services.

The Governor's fiscal year 2002 recommendation continues funding for the Adult Home Help program at \$158.8 million. The Adult Home Help program enables disabled individuals to live independently by financing in-home assistance for activities of daily living.

The MI Choice Waiver Program allows Michigan's elderly and disabled, who meet income and asset criteria, to receive nursing home-type services in their own home or other community settings. The Governor's fiscal year 2002 recommendation includes \$128.5 million to finance community-based care for 15,000 participants. Services available for MI Choice Waiver participants include respite services, homemaker services, private duty nursing, environmental modifications, chore services, and transportation. These services allow individuals to live in their own homes as opposed to nursing homes.

Nursing Homes and Other Long-Term Care Facilities – Each year long-term care facilities are reimbursed for over 10.5 million days of care. The Governor’s fiscal year 2002 recommendation for long-term care facilities totals over \$1 billion and includes a two percent economic increase.

Special Financing - Michigan uses a variety of special financing partnerships with local units of government to help fund the Medicaid program. Unfortunately, these partnerships are adversely affected by a new federal rule that imposes significant limits on the state’s ability to fund the Medicaid program. When this new rule is fully implemented, the negative annual impact on Michigan will be at least \$300 million. Through continued local partnerships, the state will be able to sustain current program funding levels for fiscal year 2002, but the federal rule will have a significant impact on the state’s ability to forge such partnerships in future budget years.

To prepare for the onset of federal reductions, a Medicaid Benefits Trust Fund was created by P.A. 489 of 2000. Revenue from this fund will be used to offset future losses in special financing revenues, protecting the over one million Michigan residents who are eligible to receive Medicaid services. A deposit of nearly \$240 million in fiscal year 2000 has already been made into this fund.

Mental Health Services

The fiscal year 2002 budget for mental health provides funding for some of the state’s most vulnerable populations. Mental health services continue to be effectively provided in community settings, as well as in state hospital settings when necessary.

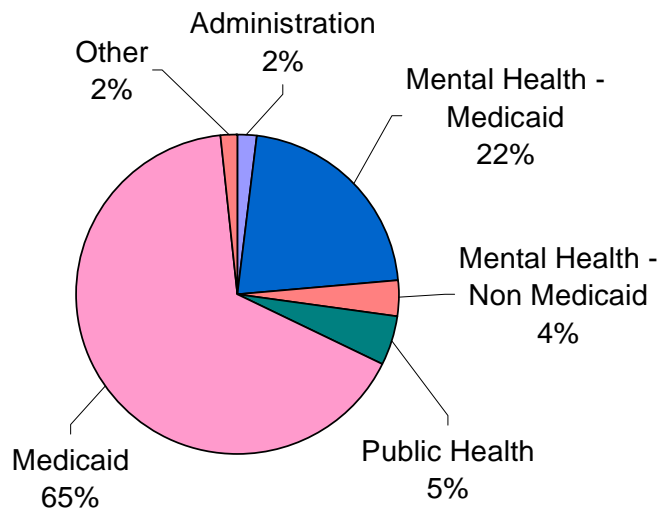
This year’s Executive recommendation includes rate increases for community mental health services and substance abuse services, at a cost of \$41.5 million, \$21.6 million general fund. This adjustment provides funding for expected inflationary increases in the healthcare marketplace.

In previous years, the department erroneously made capitated Medicaid payments to Community Mental Health Service Programs for individuals who were not eligible for Medicaid. The fiscal year 2002 recommendation corrects that error and limits Medicaid payments to Medicaid eligible clients only. This adjustment reduces Medicaid funding by \$34.7 million. However, in order to protect mental health services for Michigan’s low income residents, these funds are reinvested into a three percent rate increase for community mental health.

The Governor’s recommendation also revises payment policies for clients who are determined to be retroactively eligible for Medicaid. Retroactive eligibility refers to the period of time between the date of application for assistance and approval of the application, and can incorporate three months prior to the application in certain cases. In the future, Community Mental Health Service Programs will be reimbursed for the actual cost of providing services to clients in this retroactive

category. The Executive recommendation includes a new \$50 million line item to provide reimbursement to the Community Mental Health Service Programs. The

Department of Community Health Fiscal Year 2002 Spending by Category



\$50 million represents the annualized cost of the current payment policy. According to the Michigan Association of Community Mental Health Boards, expenditures for these clients may cost up to \$75 million. The Executive recommendation recognizes this as a potential maximum cost by incorporating language which authorizes reimbursements not to exceed \$75 million.

Since becoming the primary care gatekeepers for this vulnerable population, community mental health boards have effectively managed specialty care services, including controlling the costs of inpatient hospital growth through appropriate community-based, less

*26% of
the DCH
budget is
for mental
health
services*

restrictive alternatives. Building on these successes, the fiscal year 2002 recommendation transfers \$68.6 million, \$29.9 million general fund to community mental health for the management of psychotropic drugs. This amount includes fiscal year 2001 psychotropic drug costs plus an inflation estimate of 14 percent to account for changes in the pharmaceutical marketplace. The transfer of funding to Community Mental Health Service Programs strengthens the control of local units of government, which will manage the costs of pharmaceuticals and encourage appropriate usage patterns.

Healthy Michigan Fund

The Healthy Michigan Fund generates its revenue from the tobacco excise tax. Tobacco product consumption continues to decline, which will result in decreased Healthy Michigan Fund revenue. Recent revenue forecasts indicate that available revenues will decrease from \$43 million in fiscal year 2001 to \$35 million in fiscal year 2002. While this revenue decline requires corresponding reductions in spending, the Governor's fiscal year 2002 recommendation maintains a wide variety of innovative health programs focusing on prevention and education. Funding from Healthy Michigan will support initiatives such as: diabetes programs (including the Morris J. Hood Wayne State University Diabetes Outreach program), smoking cessation programs, immunization efforts, violence prevention, Alzheimer's networks, respite care, physical fitness projects, dental services for developmentally disabled individuals, osteoporosis prevention, senior nutrition services, and childhood injury prevention initiatives.

Childhood Immunizations - The Michigan Childhood Immunization Registry gives health care providers immediate access to a child's history and determines if additional vaccinations are needed. The registry has over 2,300 physician

offices enrolled with over 500 different providers using it on a daily basis. The registry contains data on over two million children with over seventeen million immunization records. In May 2000, the All Kids Count program, supported by the Robert Wood Johnson Foundation, honored Michigan's program with its national award for having the greatest increase in registry participation. Also, the Centers for Disease Control and Prevention is reviewing Michigan's system to use as a national model. The Governor's fiscal year 2002 budget continues \$2 million in Healthy Michigan funding for this successful initiative.

Local Public Health Operations

The Governor's fiscal year 2002 recommendation includes \$41.9 million to support local public health services. This is a two percent increase over fiscal year 2001 levels. This funding will continue to support food protection services in the Department of Agriculture, public water supply, private water supply, on-site sewage disposal management activities in the Department of Environmental Quality, as well as immunizations, infectious disease control and other public health programs.

Fiscal Year 2001 Supplemental

The fiscal year 2001 supplemental appropriation restores \$1.5 million in Healthy Michigan Fund to be used for smoking prevention programs.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|---------|---------|---------|---------|
| Reduce the number of uninsured children 0 to 18 years (rate per 1,000 children) | 18.9 | 15.7 | 13.7 | 11.8 |
| Increase testing of young children for lead poisoning in order to begin treatment | N/A | 60% | 70% | 75% |
| Reduce childhood diseases by increasing the number of children receiving a full set of immunizations | 76% | 80% | 85% | 90% |
| Reduce infant mortality (rate per 1,000 live births) | 8.1 | 8.0 | 7.9 | 7.8 |
| Improve the long-term health of citizens by reducing the number of adults who smoke | 26% | 25% | 24% | 23% |
| Improve the lives and future of young girls by reducing pregnancies among 15 to 17 year olds (rate per 1,000 population) | 37.6 | 36.8 | 35.0 | 33.2 |
| Reduce out-of-wedlock births (percent of total births) | 33.0% | 32.1% | 31.3% | 30.5% |

Department of Agriculture

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$45,472.0 | | | \$62,633.9 | \$47,029.8 | \$48,076.2 |
| All Funds | \$70,589.9 | | | \$114,807.3 | \$98,519.2 | \$100,501.1 |
| | % Change - GF/GP | | | | -24.9% | 2.2% |
| | % Change - All Funds | | | | -14.2% | 2.0% |

KEY ISSUES

| | GF/GP | All Funds |
|--|-------------------|--------------------|
| New funding for Cooperative Resource Management Initiative | \$0.0 | \$1,000.0 |
| Pesticide Residue Reduction Efforts | \$0.0 | \$225.0 |
| Implement Cervidae Producers Marketing Act of 2000 | \$0.0 | \$163.5 |
| Increase in Farmland and Open Space Preservation funding | \$0.0 | \$90.0 |
| Increase Funding for Local Public Health Operations | \$0.0 | \$179.6 |
| Adjust State Fair Appropriation to Reflect Lease Agreement | \$0.0 | (\$919.7) |
| Various Revenue Adjustments | \$0.0 | (\$53.4) |
| Budgetary Savings | (\$241.6) | (\$241.6) |
| Economic Adjustments | <u>\$1,288.0</u> | <u>\$1,538.5</u> |
| Subtotal | \$1,046.4 | \$1,981.9 |
| FY 2002 Executive Recommendation | \$48,076.2 | \$100,501.1 |

Department of Agriculture

The fiscal year 2002 budget for the Michigan Department of Agriculture reflects the Governor's commitment to updating food safety initiatives, advancing environmentally-sound agricultural practices, and investing in the continued growth and economic health of the state's food and agriculture industries. The fiscal year 2002 recommendation for the Department of Agriculture totals \$100.5 million gross, of which \$48.1 million is general fund.

AGRICULTURAL PRODUCTION Michigan's National Ranking (1999)

| #1 | #2 | #3 |
|-------------------------------|-----------------------------|--------------------------|
| Beans, dry, black | Beans, dry, all | Apples |
| Beans, dry, cranberry | Beans, dry, dark red kidney | Asparagus |
| Beans, dry, light red kidney | Beans, dry, small red | Beans, snap (processing) |
| Beans, dry, navy | Celery | Carrots (fresh market) |
| Blueberries | Flowering bedding plants | |
| Cherries, tart | Niagara Grapes | |
| Cucumbers (processing) | | |
| Easter Lilies | | |
| Flowering hanging baskets | | |
| Geraniums (seed and cuttings) | | |

Agriculture is Michigan's second largest industry, producing \$37 billion in revenue through agriculture production and processing. Michigan is a national leader of various farm grown products and holds the rank of number one in the nation for production of dry beans, blueberries, tart cherries, geraniums and Easter lilies.

*Michigan
is a
national
leader in
agricultural
products*

The fiscal year 2002 recommendation provides support for farmland preservation, food safety inspections, regulation of food and feed, management of pesticides, and oversight of the Michigan State Fair, the Upper Peninsula State Fair and 88 other county and local fairs.

Enhancing Environmental Stewardship

Environmental stewardship is a top priority in Michigan. The state and its agricultural industry have worked hard to enhance and protect Michigan's vital natural resources. Michigan continues to develop and implement comprehensive agricultural pollution programs that are based on sound scientific practices and common sense approaches. These programs have achieved measurable results because they emphasize education, on-farm technical assistance, environmental risk assessments, and action plans that are specific to Michigan farms or areas.

The Michigan Conservation Reserve Enhancement Program (CREP) is one example of efforts to enhance Michigan's environment. CREP is a state/federal partnership to address significant water quality, soil erosion and wildlife habitat issues related to agricultural uses. The program uses financial incentives to encourage landowners to voluntarily sign 15-year contracts to remove lands from agricultural production and install certain conservation practices. Over the next 15 years, the program will invest over \$175.5 million in Michigan's environment. The state participation will be \$25 million, private sources will donate \$500,000 and the federal government will contribute \$150 million. Fiscal year 2002

expenditures will be approximately \$15 million, of which \$5.4 million are state funds. Partnering with the Department of Agriculture in this initiative are the departments of Natural Resources and Environmental Quality.

Another example of efforts to enhance Michigan's environment is the Cooperative Resources Management Initiative (CRMI). CRMI is a partnership involving the departments of Agriculture and Natural Resources, as well as local Soil Conservation Districts, designed to assist private landowners in actively managing their lands. Of the 19+ million acres of forestland in the state, 12 million of this forest acreage falls under private ownership.

"It is clear that there has been much progress in cleaning up our waterways. Let our state agencies set the standards and then measure the results."

Jackson Citizen Patriot, November 24, 2000

The CRMI seeks to connect private landowners with state and local partners to provide information, technical assistance and training on methods by which private urban, suburban, and rural landscape areas can be revitalized and maintained. Through coordinated efforts, landowner awareness of the value of their natural resources can be increased and efforts to protect various habitats, wetlands, urban forests and wildlife corridors can be enhanced. The fiscal year 2002 recommended budget provides \$1 million to support this initiative.

Preservation of Farmland and Open Space

In accord with P.A. 262 of 2000, the Farmland and Open Space Preservation program was transferred to the Department of Agriculture from the Department of Natural Resources. This program attempts to address the long-standing concern over the loss of farmland to new residential and commercial development. Under the program, a landowner and the state may enter into a contract, known as either a temporary development rights agreement (easement), or permanent development rights agreement. Under the temporary agreement, property tax credits are granted to the landowner in return for a promise to keep the farmland in use for agricultural purposes, or as undeveloped open space for a specified time period. When land is withdrawn from the program, some or all of the property tax credits are recaptured with the proceeds then used by the state for purchase of development rights on other agricultural lands. With a permanent agreement, the state purchases development rights in perpetuity. Since 1994, through the efforts of the Farmland and Open Space Preservation program, over 8,000 acres of farmland have been purchased in perpetuity by the state under permanent development rights agreements. Correspondingly, over 4.3 million acres are presently under temporary development rights (easement) agreements. The fiscal year 2002 Executive Recommendation provides \$692,700 in support for this program, a \$90,000 increase from the current year.

Maintaining a Wholesome Food Supply

The Department of Agriculture works to ensure the availability of safe and wholesome food products through its involvement in licensing and inspecting local food establishments and dairy operations, sampling of food commodities, and investigating food borne illnesses. The department monitors the inspection and licensing activity of local health departments to ensure uniformity in application and consistency in enforcement. The fiscal year 2002 budget includes \$9.2 million in grants to local health departments, including a 2 percent increase to help offset cost increases associated with their monitoring responsibilities.

In May 2000, Governor Engler signed P.A. 92, the Michigan Food Law 2000, which clarifies the requirements of food inspection staff in the Department of Agriculture and in local health departments. The culmination of more than two years of work, the new law also represents a complete overhaul of Michigan's food safety laws, the first in more than 30 years. The department has worked extensively to inform the food industry about the major changes affecting their businesses. Training workshops, newsletters, journals, and Web site updates have been used to inform and educate about the changes instituted by the new law.

The department is also involved in efforts to reduce pesticide residues in food. The fiscal year 2002 budget recommends an increase of \$225,000 to improve regulatory oversight and industry compliance with appropriate rules and regulations. Legislative support is recommended for proposed fee changes to the Pesticide Control Act (P.A. 451 of 1994) to support these enhanced oversight activities.

Implementing a Viable Agricultural Alternative

Over the past decade, Michigan has experienced tremendous growth in the captive deer and elk (cervidae) industry. Approximately 1,000 privately owned farms are currently in operation, raising captive deer and elk for commercial breeding stock, hunting or exhibition purposes. To ensure the continued viability of this expanding industry and appropriate stewardship of Michigan's natural resources, the Privately Owned Cervidae Producers Marketing Act (P.A. 190) was passed in 2000. The law declares deer and elk farming operations to be agricultural enterprises and places them under the regulatory review of the Department of Agriculture. The fiscal year 2002 budget provides \$163,500 for use by the department in the administration of Public Act 190 of 2000.

Eradicating Bovine Tuberculosis

The fiscal year 2002 recommendation continues support for efforts to eradicate Bovine Tuberculosis (TB). Over \$32 million has been committed for this program since fiscal year 1998. These resources support on-going testing, indemnification, producer assistance and cost-share programs. The department's immediate goal is to test all livestock in the state by fiscal year 2003. To accomplish this, the department is working closely with the federal government

and with private veterinarians throughout the state. Since 1995, over 317,000 Michigan animals on 7,500 farms have been tested for TB, and over 30,000 hunter-harvested deer have been examined. The department anticipates fiscal year 2002 expenditures of \$3.4 million toward ongoing eradication efforts.

Improving the Michigan State Fair

The state has entered into a long-term lease agreement with a private development group to oversee management of the Michigan State fairgrounds. The state will continue to utilize the fairgrounds during the State Fair itself, but the private development group will assume responsibility for routine non-fair operations and annual maintenance of the fairgrounds. This lease arrangement will result in significant long-term operational and capital investment savings to the state. The fiscal year 2002 budget recommendation includes a reduction in the Michigan State Fair operational cost of \$919,700 related to this new lease agreement.

Supporting New Agricultural Initiatives

P.A. 322 of 2000 established an Agricultural Development Fund, administered by the department. This fund will support the creation of incentives for locating and maintaining value-added agricultural operations and ventures that process livestock products, agricultural commodities, or plant products into goods for final consumption.

Funding will be available for grant awards in support of projects focusing on technical assistance, marketing research, business plan development, and infrastructure and transportation improvements. Priority emphasis will be given to projects that demonstrate a high level of innovation. Revenues to support this fund come from uncollectible allowance recovery resources of utility companies and will not be available for appropriation prior to spring of 2001. Due to the uncertain availability of this new revenue source, the Governor's budget includes spending authorization in the boilerplate section of the budget bill. Spending commitments and grant awards will be tied to actual revenue collections.

Other Adjustments

The fiscal year 2002 budget recommendation also provides restricted revenue support of \$30,000 for increased laboratory testing services requested by farmers, private veterinarians, and seed companies. An increase of \$75,000 is also recommended for the Agriculture Equine Industry Development Fund to reflect anticipated fiscal year 2002 revenues.

Fiscal Year 2001 Supplemental

A fiscal year 2001 supplemental of \$1.0 million is recommended for the Bovine Tuberculosis program.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|----------------|----------------|----------------|------------------|
| Ensure consumer protection by increasing the percentage of gasoline meeting quality standards | 90% | 87% | 88% | 90% |
| Reduce the number of food-borne illnesses by approximately 4% per year as a result of licensing and inspection activities | 2,700 | 2,600 | 2,400 | 2,300 |
| Increase the acres of nursery stock inspected and certified for commerce | 11,800 acres | 12,200 acres | 13,400 acres | 14,700 acres |
| In order to eradicate bovine tuberculosis, test all livestock in the state by fiscal year 2003 | N/A | 150,000 10% | 600,000 40% | 1,125,000 75% |

Department of Environmental Quality

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$95,657.7 | | | \$96,296.4 | \$99,906.2 | \$103,175.3 |
| All Funds | \$160,084.7 | | | \$473,108.6 | \$499,608.8 | \$416,556.6 |
| | % Change - GF/GP | | | | 3.7% | 3.3% |
| | % Change - All Funds | | | | 5.6% | -16.6% |

KEY ISSUES

| | GF/GP | All Funds |
|---|--------------------|--------------------|
| Septage Program Resources | \$0.0 | \$1,550.0 |
| Federal Safe Drinking Water Act - Operator Training and Certification | \$0.0 | \$1,000.0 |
| Soil Erosion and Sedimentation Control Program | \$350.0 | \$350.0 |
| Local Public Health Operations - 2.0% Increase | \$0.0 | \$205.3 |
| Hazardous Waste Corrective Action Plan | \$0.0 | \$260.0 |
| Water Use Reporting | \$100.0 | \$100.0 |
| One Stop Reporting Grant | \$0.0 | \$100.0 |
| Pollution Prevention Outreach | \$0.0 | \$100.0 |
| Submerged Logs Program | \$0.0 | \$100.0 |
| Michigan Great Lakes Protection Fund | \$0.0 | \$100.0 |
| Adjustment to Reflect Anticipated Revenues | \$0.0 | (\$1,484.5) |
| Remove Clean Michigan Initiative One-Time Funding | \$0.0 | (\$90,098.0) |
| Remove One-Time Funding | \$0.0 | (\$186.2) |
| Budgetary Savings | (\$519.3) | (\$519.3) |
| Economic Adjustments | \$3,332.4 | \$5,362.0 |
| Other Adjustments | <u>\$6.0</u> | <u>\$8.5</u> |
| Subtotal | \$3,269.1 | (\$83,052.2) |
| FY 2002 Executive Recommendation | \$103,175.3 | \$416,556.6 |

Department of Environmental Quality

The Department of Environmental Quality is committed to restoring and enhancing Michigan's environment for the protection of public health and the preservation of our natural resources. Acting as chief steward for air, land, and water quality, the department focuses on environmental monitoring, permitting, enforcement, and innovative partnerships that add to the quality of life enjoyed by all residents and visitors alike.

**Over
8,000 jobs
created at
brownfield
sites**

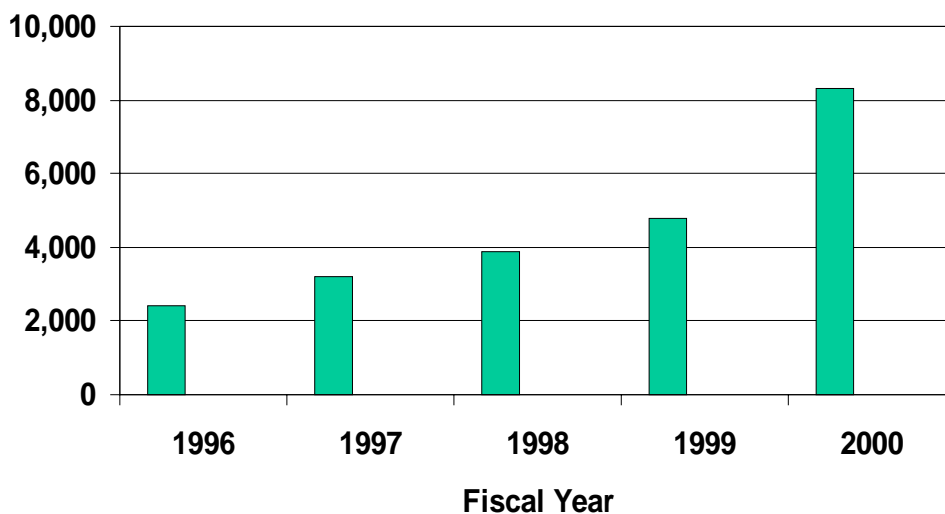
The Governor's fiscal year 2002 budget recommendation provides total funding of \$416.6 million, of which \$103.2 million is general fund, reflecting a 3.3 percent increase over fiscal year 2001.

Brownfield Development

The Department of Environmental Quality remains diligent in its efforts to support economic development in Michigan. Since the signing of brownfield

legislation in 1995, Michigan has made significant progress in cleaning up and redeveloping abandoned land. With the passage of the Clean Michigan Initiative, \$335 million is targeted to prepare sites for economic redevelopment. Re-use of "brownfield" sites — properties where perceived or actual environmental contamination is a barrier to redevelopment — allows sites to be reclaimed for

Cumulative Number of Jobs at Brownfield Sites



new business locations. Since 1998, more than \$141 million (42%) of the Clean Michigan Initiative has been allocated to communities across the state for

brownfield redevelopment, contributing to the creation of approximately 8,000 new jobs.

The Department of Environmental Quality continues its sixth year of implementing the Environmental Cleanup and Redevelopment program, maintaining \$22.0 million in spending for cleanup activities to protect public health and the environment, especially at sites with acute health or environmental problems.

"The National Governor's Association Center for Best Practices noted... that Michigan has cleaned up 2,944 brownfield projects, generating \$1.1 billion in tax revenues from private investment. In the process, those projects have resulted in the creation of 8,000 jobs and 1,400 housing units."

The Detroit News, December 3, 2000

Soil Erosion and Sedimentation Control Program

One of the greatest pollutants of lakes and streams is the sediment produced by eroded soil. Together, sediment and erosion can result in the loss of fertile topsoil, damage to plant and animal life, and structural damage to buildings and roads. Counties, cities, and charter townships are responsible for issuing permits to individuals who want to make significant topographical changes. Local units of government have experienced numerous challenges implementing the law. With the recent passage of Public Act 504 of 2000, the law has been strengthened to require the Department of Environmental Quality to assist local units of government in enforcement of soil erosion and sedimentation control efforts, including review and approval of municipal soil erosion and sedimentation programs. Public Act 504 also requires the department to administer a soil erosion and sedimentation control certification program for local units of government issuing permits, and creates a soil erosion and sedimentation fund. The department will distribute educational information on soil erosion and sedimentation control to communities. Included in the fiscal year 2002 budget is an increase of \$350,000 in general fund support for these initiatives.

Water Use Reporting

The Governor's fiscal year 2002 budget adds \$100,000 in general fund support for increased water use reporting mandated under the Great Lakes Charter, a regional agreement among the eight Great Lakes states and two Canadian provinces. The Great Lakes Commission promotes the orderly, integrated and comprehensive development, use and conservation of the water and related natural resources of the Great Lakes basin and St. Lawrence River. Since 1955, Michigan has been a valued member of the Great Lakes Commission, and Michigan personnel have been very active participants in efforts to promote regional economic development and environmental quality.

Michigan supports the Great Lakes Commission through the active involvement of its delegation, the appointment of state officials to task forces, and other contributions to regional initiatives.

"We celebrate the fact that our water, and our air, are cleaner than they've been since monitoring began.... Today, as a result, the Great Lakes are becoming cleaner and cleaner."

**Governor John Engler, State of the State Address,
January 19, 2000**

The charter requires Great Lakes states and provinces to report on annual inventories of Great Lakes water uses to identify the water resources necessary for the economy, environment, and quality of life in the basin.

The Department of Environmental Quality will conduct reporting in four sectors, which include thermoelectric power generation, self-supplied industrial, public water supply, and irrigation. The data will be submitted to the Great Lakes Commission to support development of Great Lakes management policies and programs.

Septage Waste Compliance Grants

Approximately 1.2 million homes (12%) in Michigan use septic-tank field systems to dispose of waste. The Department of Environmental Quality partners with local health departments to insure the proper disposal of sewage from septage tanks. Failure to comply with environmental standards threatens human health and endangers aquatic life. The fiscal year 2002 budget recommends a new fee package to support increased local inspections of waste hauling vehicles and disposal sites, as well as enhanced oversight functions by the department. These fees will provide an additional \$1.6 million to support monitoring activities and increased local inspections of septic waste hauling vehicles. In addition, grants to local public health departments for environmental monitoring activities are increased by \$205,300.

Drinking Water Operator Training and Certification

Under the federal Safe Drinking Water Act, states with primary enforcement responsibility are required to develop and implement an operator certification program for all community water suppliers and non-transient, non-community public water suppliers. There are over 1,500 community water suppliers and 1,800 other water suppliers in Michigan. The fiscal year 2002 budget recommends an increase of \$1.0 million in federal funds, which will focus on the 2,200 systems that have not had a certified operator in the past. The highest rate of non-compliance with the Safe Drinking Water Act involves small systems serving populations of less than 3,300. These resources support all expenses associated with operator certification to ensure clean drinking water for communities.

Submerged Logs Program

The submerged log recovery program, created in 2000, recognizes the commercial value of vintage logs located at the bottom of the Great Lakes and creates a permit program to manage the removal of logs from the lakes. Many of these logs are extremely old and, as a result of their maturity, yield a wood quality that far exceeds what is customarily found in modern wood and furniture production. To date, the department has received over 20 applications to remove logs from the Great Lakes bottomlands. The fiscal year 2002 budget provides \$100,000 for this initiative from permit application fees for department staff to administer the program.

"...20-inch veneer logs on the bottom of the bay could be in the age range of 500 to 800 years old.... Prized for its beauty and rarity, the wood from these logs can be used to make specialty items like violins, guitars and custom cabinetry."

**The Mining Journal (Marquette),
December 19, 2000**

Clean Air Program

The fiscal year 2002 budget recommends \$1.7 million in air emission fee revenue to support air quality regulatory efforts. Fees imposed on owners and operators of industry facilities will sunset on September 30, 2001. In order to insure that revenues are available for this important air quality program, amendatory state legislation will be introduced to modify the current fee structure and extend the sunset date.

Other Recommendations

As the emphasis on pollution prevention has grown, there is a need to provide assistance and services to municipalities and businesses through workshops, seminars, conferences, and other events. These educational opportunities address many pertinent issues of environmental stewardship. Many sectors of industry benefit from the wide range of topics which include waste reduction and energy efficiency, reduction of air emissions, and Michigan's brownfield programs. Due to growth in pollution prevention programs such as the Clean Corporate Citizen, \$100,000 is recommended in the fiscal year 2002 budget for additional resources to help businesses reduce pollution through education and training activities.

With the recommended addition of \$100,000 for the One-Stop Reporting project, the department will expand its efforts to improve the collection and reporting of data across multiple state and federal regulatory programs. The One-Stop Reporting project simplifies data collection, develops common data definitions and improves public access to information.

| Program Outcomes | FY1999 | FY2000 | FY2001 | FY2002 |
|---|---------------|---------------|---------------|---------------|
| To prevent release of hazardous substances into the environment, increase the percent of cleaned Leaking Underground Storage Tank sites versus contaminated sites | 49.8% | 51.0% | 54.7% | 59.9% |
| To promote urban renewal and economic development opportunities | | | | |
| • Increase the cumulative financial investments in brownfield properties | \$1.0 billion | \$1.8 billion | \$2.0 billion | \$2.2 billion |
| • Increase the cumulative number of jobs created at brownfield sites | 4,800 | 8,300 | 8,800 | 9,300 |
| To protect surface water bodies against toxic pollution from industry, reduce the pounds of chemical toxins released into bodies of water per year | 64,000 lbs. | 61,000 lbs. | 59,000 lbs. | 58,000 lbs. |
| To safeguard against the release of toxic emissions into the air from industry, reduce tons of air emissions from major pollutant sources per year | 39,000 tons | 37,000 tons | 35,000 tons | 34,000 tons |

Department of Natural Resources

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$47,292.8 | | | \$77,745.0 | \$55,958.6 | \$56,220.4 |
| All Funds | \$156,399.5 | | | \$299,982.4 | \$269,773.9 | \$254,849.2 |
| | % Change - GF/GP | | | | -28.0% | 0.5% |
| | % Change - All Funds | | | | -10.1% | -5.5% |

| KEY ISSUES | GF/GP | All Funds |
|--|-------------------|--------------------|
| Land and Water Conservation Fund Grant Increase | \$0.0 | \$2,633.0 |
| Parks and Recreation - Seasonal Worker Pay Increase | \$0.0 | \$862.5 |
| Tribal Consent Decree - Enforcement Efforts & Creel Survey | \$0.0 | \$600.0 |
| Conservation Reserve Enhancement Program | \$0.0 | \$400.0 |
| Oil and Gas Audits | \$0.0 | \$182.0 |
| ORV Trail Voucher System | \$0.0 | \$142.9 |
| Digital Classification of Lake Huron Basin | \$0.0 | \$86.0 |
| Reduce Programs to Match Available Resources | \$0.0 | (\$4,282.3) |
| Remove Clean Michigan Initiative One-Time Funding | \$0.0 | (\$14,733.8) |
| Other One-Time Funding Adjustments | (\$85.0) | (\$2,785.0) |
| Budgetary Savings | (\$282.5) | (\$282.5) |
| Economic Adjustments | \$561.4 | \$4,047.4 |
| Other Adjustments | <u>\$67.9</u> | <u>(\$1,794.9)</u> |
| Subtotal | \$261.8 | (\$14,924.7) |
| FY 2002 Executive Recommendation | \$56,220.4 | \$254,849.2 |

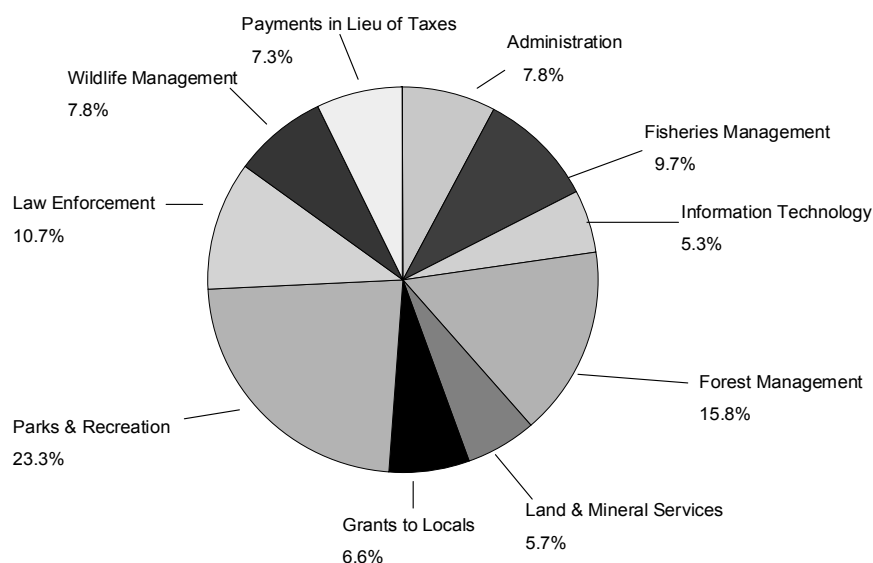
Department of Natural Resources

The fiscal year 2002 recommendation for the Department of Natural Resources reflects a continued commitment to the conservation, protection, and

management of the state's natural resources. The latest developments in science and technology are used to support the outdoor interests of Michigan's diverse population. The department continually strives to develop innovative ways to partner with federal and private concerns in providing effective resource management.

The Governor's fiscal year 2002 budget recommendation for the Department of Natural Resources includes total funding of \$254.8 million, \$56.2 million in general fund.

**Department of Natural Resources
Fiscal Year 2002 Appropriation**



The DNR budget supports a wide array of resource and management programs

Partnering For Habitat Improvements

The federal Conservation Reserve Enhancement Program provides funding to enhance agricultural land that producers have removed from commodity production. The program reduces agricultural run-off pollution by enhancing river bank and grassland wildlife habitats. With potentially 80,000 acres across Michigan affected, waterfowl, upland gamebirds, and songbirds will benefit greatly from increased habitat. The decrease in sedimentation caused from run-off will benefit fish spawning habitat as well. The fiscal year 2002 recommendation includes \$400,000 as the department's match requirement for federal funding. Partnering with the Department of Natural Resources in this endeavor are the Departments of Agriculture and Environmental Quality and interested private organizations including the Michigan United Conservation Clubs, Ducks Unlimited, and Pheasants Forever.

Resource management in rural forests, suburban communities and urban centers is vital to sustaining the quality of life in Michigan. A coordinated effort between public agencies and private sector conservation groups promotes effective management of landscapes across the state. Landowners are encouraged to reclaim, revitalize and maintain healthy landscapes for the long-term health of forest land. Local conservation districts serve as gateways, providing links between land-users and public/private service providers and coordinating resources available to private citizens. The fiscal year 2002 budget recommendation includes \$1.3 million in state support to continue these efforts, with \$1.0 million targeted to Michigan's conservation districts. The

recommendation also continues funding of \$540,000 for a tree planting initiative in urban and suburban areas, designed to increase environmental awareness and enhance pride in local communities.

One-time federal funding of \$86,000 for the digital classification of ecological units within the Lake Huron Basin ecosystem is also included in the fiscal year 2002 recommendation. The project will include the development of base maps that will be a powerful tool in analyzing responses to management alternatives.

Recreational Trail Opportunities

The Department of Natural Resources manages pathways and trails for hiking, Off Road Vehicle (ORV), snowmobile and cross-country ski enthusiasts.

Snowmobilers nationwide know Michigan for its unique combination of abundant and dependable snow, exciting terrain, and extensive trail network. Over 5,900 miles of designated snowmobile trails are located throughout the state in six state forests, three national forests, and many acres of private lands. Michigan is one of only three states to offer a large groomed system of interconnected trails, with more than 100 grooming tractors used by 11 DNR offices and over 60 local grant program sponsors. The fiscal year 2002 Executive recommendation includes \$2.9 million in continued support for trail grooming grants and \$1.1 million for local snowmobile law enforcement grants. A snowmobile trail permit fee increase of \$10 is proposed to fund the development of trails and additional grooming efforts on existing trails, which have been called the best in the world by snowmobile publications.

The fiscal year 2002 recommended budget includes federal support of \$1.9 million to improve and develop recreational trails. The budget also continues \$142,900 in support for the ORV trail voucher system at Silver Lake State Park. This program will alleviate traffic congestion as ORV enthusiasts wait to enjoy this very popular trail.

Great Lakes Fishing Consent Decree

The State of Michigan and affected Native American Tribes recently entered into an agreement on the allocation, management and regulation of fisheries in portions of Lakes Michigan, Huron and Superior.

The agreement includes an ambitious plan to rehabilitate lake trout in Lakes Michigan and Huron, leading to the reestablishment of indigenous stocks of naturally reproducing fish. An important element of the agreement is the removal of more than 14 million feet of large-mesh gill nets and the conversion of many of the largest tribal gill net

fishing operations to trap net operations, which will allow the safe return of lake trout and sport species to the water. The new agreement ensures a tribal fishery that will coexist with sport fishery, which is so important to Michigan.

"This agreement is a historic opportunity which will set in motion a process to rehabilitate native lake trout species, protect the fishery resources of the Great Lakes, and create an equitable allocation of that nationally significant shared resource."

Governor John Engler, August 7, 2000

The fiscal year 2002 recommendation includes \$500,000 in redirected state general fund support for enforcement efforts related to the consent decree and another \$100,000 is redirected to estimate the recreational fishing harvest in the 1836 Treaty waters.

Outdoor Education Efforts

The Governor's fiscal year 2002 budget includes \$2.8 million to continue the department's efforts to promote appreciation of Michigan's outdoor heritage

"The DNR has taken an innovative approach to informing, educating and involving today's youth in the conservation effort."

Governor John Engler, October 13, 2000

among young people. The DNR's award winning Michigan LAP project material (Learn from the past, Appreciate the present, Preserve our outdoor heritage!) teaches children about Michigan and its natural resources. The material, designed to achieve objectives and benchmarks under the Michigan Educational Assessment Program, takes students on a tour of Michigan state parks without having to leave the classroom.

Expanding the Use of the Internet to Improve Customer Access

The Department of Natural Resources (DNR) is developing the Internet as an asset to improve customer access and service. The new and improved DNR Web site is designed to provide users with information specific to the most popular outdoor activities in Michigan, including a link highlighting the Michigan state parks system, and a "Calendar" section that allows users to see what events are occurring throughout the state. A new online campground reservation system allows campers to reserve sites twenty-four hours a day, seven days a week, up to six months in advance. The new Michigan hunting and fishing licenses online option is a way for sports persons to purchase licenses at their convenience.

Other Fiscal Year 2002 Program Adjustments

The fiscal year 2002 recommendation includes an increase of \$2.6 million for Department of Interior land and water conservation fund grants. When matched with state or local funding, the grants may be used for land acquisition and development of outdoor recreation areas including recreation trails, playgrounds, picnic areas, soccer and ball fields, fishing piers, and nature centers. One-half of the funding will be used for state projects with the balance available for local grants. The grants are similar in scope and purpose to Michigan Natural Resources Trust Fund (MNRTF) grants and local applications will be accepted in combination with grant applications under the Trust Fund program.

Included in the fiscal year 2002 Executive recommendation are a number of program reductions to address projected restricted revenue shortfalls in fiscal year 2002. A decrease in game and fish protection fund revenues of \$2.6 million will result in program reductions in wildlife management, administrative services and law enforcement. A renewed emphasis on deer and turkey

management will allow the use of dedicated game and fish protection deer and turkey sub-account funding. This will further reduce reliance on the game and fish protection fund by \$700,000 and help to maintain Michigan's strong hunting and fishing tradition.

A reduction of \$1.5 million in restricted revenue in Resource Mapping and Aerial Photography is recommended, reflecting the cyclical nature of air photo revenues. In addition, the proposed budget removes funding for several one-time initiatives including reductions of \$1.5 million game and fish protection fund revenue for in-car computing for conservation officer patrols, and \$1.0 million in Michigan Civilian Conservation Corps endowment fund revenue for state park maintenance efforts.

The recommendation adds \$862,500 in state restricted support for a pay increase for seasonal workers in the state park system; this will assist in recruitment efforts by offering competitive wages. The fiscal year 2002 recommendation includes \$182,000 in state restricted funding to continue audits of oil and gas royalty payments that will ultimately lead to the recovery of additional royalty revenue.

The department is working with the department of Treasury to modify the investment strategy of its endowment and trust funds. By expanding investment options to include stocks, increased investment income will be deposited into these funds.

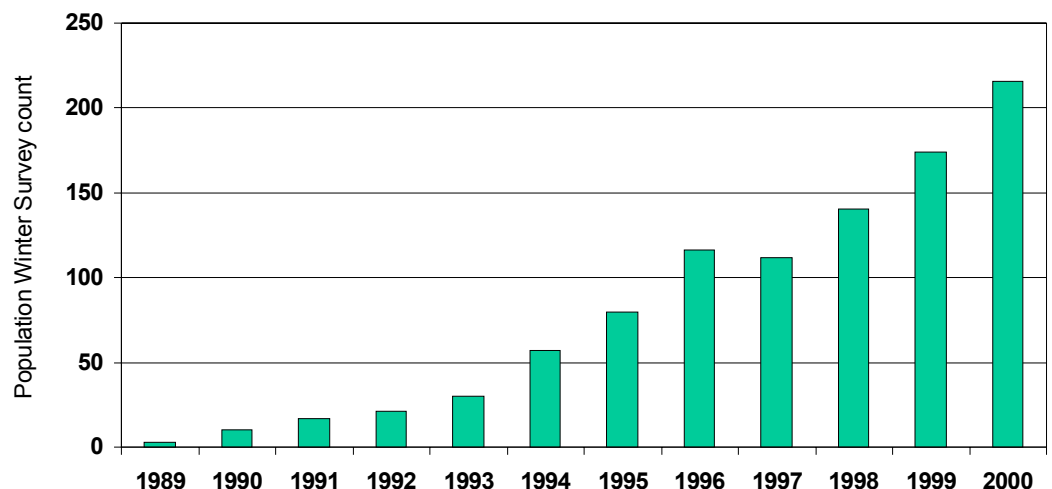
Protection efforts spur endangered species population growth

Wolf Recovery - An Endangered Species Success Story

During fiscal year 2000, the gray wolf was reclassified in Michigan from an endangered to a threatened species, an amazing renewal of a native species regaining its historic place in the forest.

The reclassification, made possible once specific population goals were reached, allows the department greater flexibility in managing a growing wolf population now present in all Upper Peninsula counties.

Annual Census of Gray Wolf in Michigan



Fiscal Year 2001 Supplemental

A fiscal year 2001 supplemental of \$13.9 million is recommended for the Department of Natural Resources. Included in the recommendation is \$12.2 million in Clean Michigan Initiative (CMI) recreation bond funding for CMI – Local Recreation Grants and \$1.7 million in support of additional snowmobile trail grooming and equipment replacement needs.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|------------------|----------------|----------------|----------------|
| Increase youth participation in hunting and fishing activities through educational outreach programs (number of youth licenses sold) | 98,600 | +5% | +7% | +9% |
| Increase usage of professional land management assistance by private landowners (number of land-owner inquiries) | N/A | 19,600 | +5% | +10% |
| Increase camping participation by increasing the variety of camping experiences available to campers (number of camping nights) | 1,180,400 | +4% | +6% | +8% |
| Increase turkey hunting opportunities through habitat management by increasing the acreage with turkey populations | 42,500 sq. miles | +3% | +4% | +5% |

Department of Transportation

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|---------------|----------------------|--|---------------|---------------|---------------|
| GF/GP | \$0.0 | | | \$0.0 | \$0.0 | \$0.0 |
| All Funds | \$2,243,650.6 | | | \$2,838,245.7 | \$2,978,704.6 | \$3,138,667.7 |
| | | % Change - GF/GP | | | 0.0% | 0.0% |
| | | % Change - All Funds | | | 4.9% | 5.4% |

| KEY ISSUES | | GF/GP | All Funds |
|--|-------------|--------------|------------------|
| ROAD AND BRIDGE PROGRAMS | | | |
| Transportation Revenue Increases | | \$0.0 | \$41,318.9 |
| - State Trunkline Road and Bridge | \$11,857.9 | | |
| - County Road Commissions | \$19,058.2 | | |
| - Cities and Villages | \$10,402.8 | | |
| Federal Aid Revenue Increases | | \$0.0 | \$58,984.9 |
| - State Trunkline Road and Bridge | \$38,926.2 | | |
| - Local Road and Bridge Construction | \$19,308.7 | | |
| - Transportation Planning | \$750.0 | | |
| Debt Service Adjustments | | \$0.0 | \$45,000.0 |
| Blue Water Bridge Capital Improvements | | \$0.0 | \$5,000.0 |
| PUBLIC TRANSPORTATION PROGRAMS | | | |
| Public Transportation and Rail Program Support | | \$0.0 | \$2,506.6 |
| - Local Bus Operating | \$3,147.1 | | |
| - Intercity Passenger & Freight Programs | \$628.3 | | |
| - Public Transportation Development Programs | \$731.2 | | |
| - Removal of One-time Studies | (\$2,000.0) | | |
| ADMINISTRATION | | | |
| Administrative Adjustments | | \$0.0 | \$7,152.7 |
| - Reduce IDG to State Police | (\$3,361.5) | | |
| - Economic Adjustments | \$7,305.0 | | |
| - Other Adjustments | \$3,209.2 | | |
| Subtotal | | \$0.0 | \$159,963.1 |
| FY 2002 Executive Recommendation | | \$0.0 | \$3,138,667.7 |

Department of Transportation

Michigan's road repairs continue on a fast track with record investments from the Governor's *Build Michigan II* and *Build Michigan III* plans. Delivering on his commitment to make Michigan's transportation infrastructure second to none, last summer the Governor gave the green light to an innovative new *Build Michigan III* program that will accelerate and advance several key economic development and congestion relief projects. These *Build Michigan III* projects are over and above those included in the Department of Transportation's traditional five-year plan, and will help to ensure that Michigan's transportation infrastructure is ready to meet the demands of the 21st century. Total recommended funding for the Department of Transportation in fiscal year 2002 is \$3.1 billion, over 47 percent of which will be shared with local agencies.

Build Michigan III Providing Immediate Results

The Governor's *Build Michigan III* plan is a bold strategy for Michigan's transportation infrastructure. It provides for the immediate investment of nearly \$1 billion in transportation projects to reduce congestion, improve safety, and meet current economic development needs. Key components of the plan include:

- Acceleration of the Grand Rapids South Beltline (M-6); shaving three years off the original construction schedule.
- Design for five major statewide freeway projects: I-94 in Detroit, I-75 in Oakland County, US-23 in Washtenaw and Livingston Counties, US-31 in Ottawa County, and I-94 in Kalamazoo County.

- Congestion relief, safety, and economic development projects on both state and local roads.
- Expansion of the highly-successful passing relief lane program.

By investing now in these critical projects, the Governor's *Build Michigan III* plan helps build a foundation for our state's continued economic growth and expansion. Innovative financing for the program is provided by a \$100 million fiscal year 2000 supplemental appropriation, approximately \$800 million from the issuance of bonds, and an estimated \$100 million in statutorily required local match. Debt service will be supported with annual contributions from the Budget Stabilization Fund (half the annual interest earnings), the Transportation Economic Development Fund, and the balance from the State Trunkline Fund.

Customer Focus Drives Record Road Repairs

Motorists and commercial interests are now experiencing the results of record construction seasons in 1998, 1999, and 2000. By employing a road and bridge strategy that provides for a balanced program of reconstruction, resurfacing,

"We've aggressively attacked the worst roads first and are seeing a major improvement in our roads and bridges.... Build Michigan III is a wise investment that will keep Michigan moving."

Governor John Engler, May 2, 2000

and capital preventive maintenance, the department has been able to more effectively target repairs to system needs. This focus on fixing the worst roads and bridges first will help the department achieve its goal of having 90 percent of these assets in good condition by 2007.

Minimizing motorists inconvenience in the delivery of these record construction programs has been a key priority for the department. Many high-impact projects now include a “corridor approach” that coordinates road, bridge, and other repairs to the same construction season. Other customer-driven initiatives include increased night work, keeping more lanes open to traffic during construction, providing incentives to complete projects early, and aggressive public information campaigns to let motorists know the location of construction activity and alternate routes.

Nowhere was the department’s customer focus more evident than during the US-131 “S-curve” reconstruction in Grand Rapids this past summer. This \$145 million project involved the complete reconstruction of a 1.2 mile long stretch of elevated freeway, including a series of six bridges, that carry an estimated 120,000 vehicles daily through the heart of the state’s second largest city. To minimize the impact to motorists and the local business community, the department sought competitive bids for the project that took into account not only the lowest price, but also the number of days needed for completion. This innovative bid approach resulted in the selection of a private contractor who successfully delivered the project a full six months earlier than originally expected. The S-curve was clearly the most challenging of the high-impact projects on the department’s docket in 2000, and it also turned out to be their most successful.

“When the U.S. 131 S-curve closed last January, West Michigan braced for 11 months of chaos... the reality was something different. The Michigan Department of Transportation... and (the)... construction company that finished the project faster than some of us can turn calendar pages, deserve much of the credit.”

Grand Rapids Press, November 1, 2000

“Fixing Our Roads” – 2000 Accomplishments

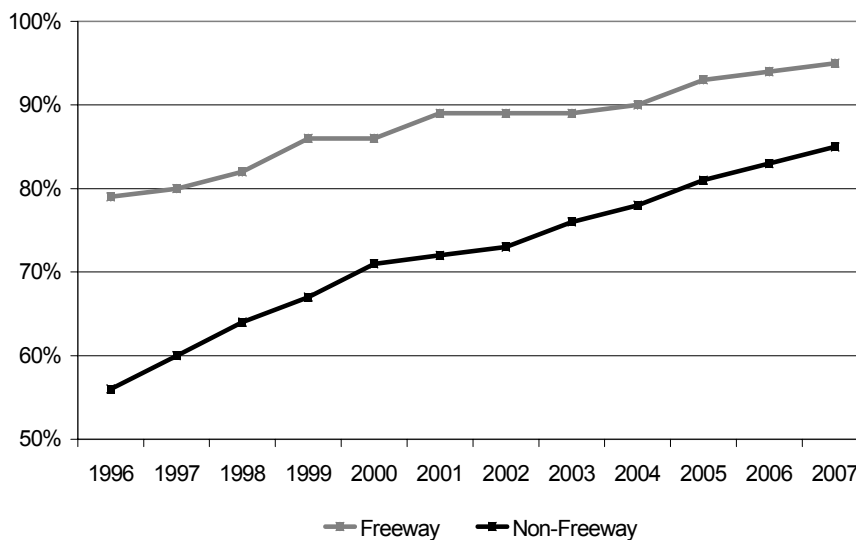
The Department of Transportation’s rolling five-year plan of road and bridge construction projects continues to deliver *Build Michigan II* results by improving nearly 1,400 miles of state trunkline roads and 230 bridges annually. In addition to the S-curve, key projects in 2000 included: completion of the new US-27/M-57 interchange in Gratiot county; upgrading and widening of the critical “choke point” interchange at I-75 and US-23 in Genesee county; and aggressive work on the two-year reconstruction of the I-94 Dequindre Yard Bridge near the I-75 interchange in Wayne County.

Fiscal Year 2001 Road & Bridge Program

The department is gearing up for another record construction season this summer. The 2001 state trunkline program is valued at over \$1.55 billion and will provide an estimated \$751.8 million for road and bridge repair and rebuild projects, \$224.9 million for routine maintenance, \$383 million for new roads, and \$185.6 million for safety, economic development, and federally mandated programs. Priority projects scheduled for the 2001 construction season include:

- Continued work on the 20-mile Grand Rapids South Beltline (M-6). Phase I (I-96 to M-37) is scheduled to open in 2002. Phase II (M-37 to US-131) and Phase III (US-131 to I-196) freeway sections are scheduled to open in 2005, a full three years earlier than originally expected due to the project's acceleration under the Governor's *Build Michigan III* program.
- Key metropolitan Detroit projects include: the reconstruction of the I-275/I-96/M-14 interchange;

Percent of Roads in Good Condition



ongoing construction of the Haggerty Connector (M-5); patching and resurfacing of I-96 from Newburgh Road to US-24; reconstruction of 4 miles of the Southfield Freeway (M-39) in Dearborn; reconstruction of US-24 from I-75 to Ecorse Road; reconstruction and resurfacing of M-10 from I-696 to 14 Mile Road in Oakland county; and rehabilitation of 10 miles of M-53 in Macomb county.

*Michigan
road
improvements
on target*

- The department's "corridor approach" is evident with the repair of 24 overpasses along I-475 in Flint, and reconstruction of I-496 in downtown Lansing. Minimizing motorist inconvenience will be a primary focus of these high-impact urban projects.
- Out-state work continues with construction of the US-131 Cadillac bypass, construction of US-31 in Berrien County, resurfacing and widening of US-23 in Arenac County, reconstruction of I-75 in Chippewa County, and reconstruction of US-2 in Iron Mountain.

Fiscal Year 2002 Budget Recommendation

The department's fiscal year 2002 road and bridge program will invest over \$1.5 billion on the state trunkline system, making it the fifth year in a row that Michigan's transportation program has exceeded the billion dollar mark. The department's road and bridge program is now more than double the funding levels prior to *Build Michigan II*. In conjunction with the aggressive repair and

rebuild program, these additional revenues enable the department to also focus on routine and capital preventive maintenance efforts aimed at extending pavement life and preserving the structural integrity of existing roads and bridges. The department estimates that over 1,200 miles of roadway will be improved under their capital preventive maintenance program in 2002.

Local road agencies are also sharing significantly in these record revenues. The department's fiscal year 2002 recommendation includes over \$947.8 million in Michigan Transportation Fund revenues that will be distributed to locals through the historic Public Act 51 formula. In addition, over \$231.1 million in federal funds and over \$65.3 million in state supported revenues are earmarked specifically to locals through the critical bridge, rail grade crossing, local program, and economic development fund programs.

Fiscal Year 2002 Priority Projects

The department continues with its balanced program that includes both long-term fixes (reconstruction), intermediate fixes (resurfacing), and capital preventive maintenance projects. Roughly thirty-three percent of state trunkline roads in the department's five-year plan are now receiving 20+ year fixes; previously only 10% of repaired roads received these types of long-term fixes. Key priority projects slated for construction in 2002 include:

- Resurfacing of four bridges and replacement of one bridge on I-196 in Grand Rapids. Additional work will include resurfacing the freeway on either side of the bridges to improve the approaches on this busy commuter corridor that carries more than 70,000 vehicles per day.
- Reconstruction of nearly 10 miles of I-75 from the Bay county line to Sterling Road in Arenac county. The I-75 corridor in Genesee county will also be reconstructed and widened to four lanes from I-475 to the Saginaw county line.
- Ongoing construction of the new US-31 freeway in Berrien county, and preparation of the road surface for the anticipated opening to traffic in 2004. The freeway will stretch from old US-31 in Berrien Springs to Napier Avenue, near the cities of St. Joseph and Benton Harbor. The department will also continue a study to complete the new freeway's connection to I-94 and/or I-196.
- Reconstruction of five miles of I-96 from Wacousta Road to M-43 in Clinton county. This work will improve the ride and durability of this freeway, which carries more than 35,000 vehicles per day in the greater metropolitan Lansing area.
- Deck replacement, deck resurfacing and bridge replacements at seventeen locations along the I-75 corridor in Wayne county. This work will include long-term fixes as well as preventive maintenance work on these structures. The department will use a corridor approach on these bridge projects in this high-impact metropolitan area to ease motorist inconvenience.

Soo Locks Project Tops 2001 Supplemental Needs

One of the Governor's top transportation priorities has been to rally support for the construction of a new 1,000 foot lock at Sault Ste. Marie. After successfully working with Michigan's Congressional delegation and other Great Lakes states, the Governor is pleased to announce that this project is about to come to fruition. Included in his fiscal year 2001 supplemental recommendation is \$4.7 million and proposed statutory language for the creation of a reserve or sinking fund, called the Soo Locks Fund. Principal and interest earnings over the next fifty years will be used to make payments for Michigan's portion of the non-federal share of the project. The United States Army Corps of Engineers, which owns and operates the Soo Locks facility, is expected to begin preliminary work on the new lock in 2001.

Other key comprehensive transportation items included in the fiscal year 2001 supplemental recommendation are \$9.4 million to match available federal funds for the purchase of local transit buses, \$1.6 million in increased operating assistance for local transit agencies, and \$2.1 million for capital improvements to the Battle Creek Station rail track to reduce congestion and delays at this key junction. The supplemental recommendation also includes \$35 million in state trunkline revenues for the Build Michigan III program; enactment of this appropriation will complete the transfer of Budget Stabilization Fund interest earnings for the program in the current year.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|----------------|----------------|----------------|----------------|
| Increase the percent of freeway miles in good condition | 86% | 86% | 89% | 89% |
| Increase the percent of state non-freeway miles in good condition | 67% | 71% | 72% | 73% |
| Increase the percent of bridges in good condition | 78% | 77% | 79% | 78% |
| Reduce the percent of state highways with congested traffic flow | 28% | 26% | 26% | 26% |
| Increase number of local bus passengers | 85.6 million | 84.1 million | 84.1 million | 84.5 million |
| Increase number of local bus service miles | 83.0 million | 83.8 million | 83.8 million | 84.2 million |
| Increase the percent of primary airport runways in good condition | 64% | 66% | 88% | 92% |

Capital Outlay

(Amounts In Thousands)

Funding History

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|-------------|----------------------|--|-------------|-------------|-------------|
| GF/GP | \$183,663.3 | | | \$399,235.3 | \$312,815.1 | \$347,666.7 |
| All Funds | \$296,626.0 | | | \$607,522.5 | \$515,595.3 | \$515,757.7 |
| | | % Change - GF/GP | | | -21.6% | 11.1% |
| | | % Change - All Funds | | | -15.1% | 0.0% |

KEY ISSUES

| | GF/GP | All Funds |
|--|--------------------|--------------------|
| State Building Authority Rent | \$28,989.4 | \$28,889.4 |
| Lump Sum Maintenance for Various State Agencies | \$1,162.7 | \$72.7 |
| Department of Natural Resources Restricted Fund Projects | \$0.0 | (\$3,603.2) |
| Department of Transportation Aeronautics Projects | \$4,700.0 | \$23,074.0 |
| Department of Transportation Restricted Fund Projects | \$0.0 | (\$170.0) |
| Removal of One-Time Funding | | |
| Department of Military Affairs Midland Maintenance Shop | \$0.0 | (\$4,500.0) |
| Clean Michigan Initiative – State Parks | \$0.0 | (\$21,820.0) |
| Michigan Natural Resources Trust Fund projects | \$0.0 | (\$21,780.0) |
| Construction Cost Authorizations | <u>(\$0.5)</u> | <u>(\$0.5)</u> |
| Subtotal | \$34,851.6 | \$162.4 |
| FY 2002 Executive Recommendation | \$347,666.7 | \$515,757.7 |

Capital Outlay

The Governor's fiscal year 2002 capital outlay budget totals \$515.8 million gross, \$347.7 million general fund. This request includes \$305.8 million in State Building Authority rent for debt service payments for previously constructed capital outlay projects, and restricted fund appropriations for capital repair and improvement projects for the departments of Military Affairs, Natural Resources and Transportation. The request also includes \$27.8 million in lump-sum appropriations to maintain existing state facilities. No new capital outlay construction projects are recommended for fiscal year 2002.

Capital Outlay Project Financing and State Building Authority "Rent"

In Michigan, state-funded portions of capital construction projects are primarily paid for with State Building Authority bond revenues. These bond proceeds fund projects at Michigan's public colleges and universities and state agencies. The current statutory limit on State Building Authority bond debt is \$2.7 billion. To date, approximately \$2.5 billion of that authority has been committed for projects already approved by the legislature.

A short-term line of credit is used to pay building costs during construction. Once construction is complete, these short-term obligations are refinanced with long-term bonded indebtedness by the State Building Authority. Long term debt payments typically begin three or four years after a project has been authorized for construction. The state is then obligated to make annual principal and interest payments until these bonds are retired, usually a period of 12 to 18 years.

Debt service payments for the long-term debt are appropriated as "State Building Authority rent" in annual appropriations bills. Debt service payments are primarily funded with general fund revenues. A small amount of state restricted funds and federal funds supplement these annual general fund debt service appropriations.

In fiscal year 2002, the Governor recommends \$305.8 million for State Building Authority rent payments, a \$28.9 million (10.4 percent) increase over fiscal year 2001. Of this amount, \$135.6 million is for debt service payments on past projects at state universities, \$18 million for projects at Michigan community colleges, and \$152.2 million for state agency projects.

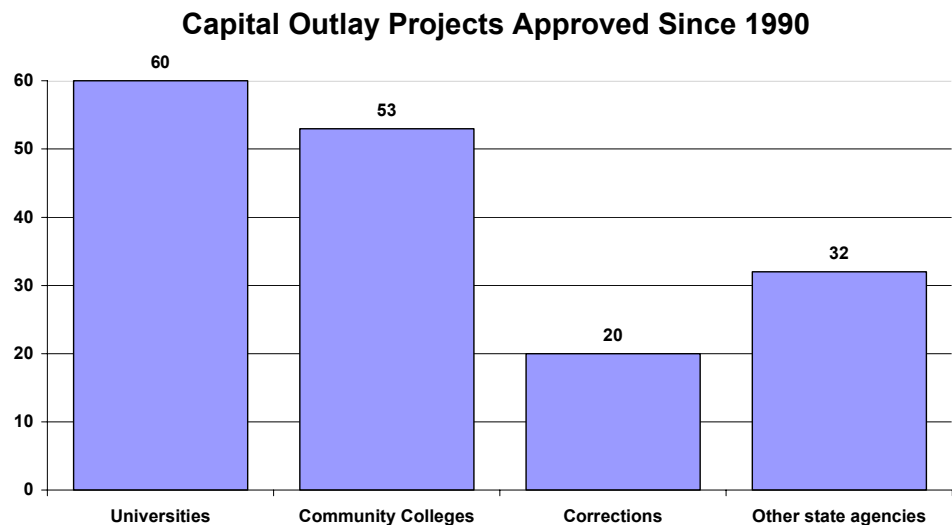
Higher Education Projects

Since 1990, projects totaling \$2.3 billion have been authorized for higher education, \$1.7 billion from the State Building Authority, \$60 million from the state's general fund, and \$540 million in institutional matching funds. The total number of college or university projects approved since 1990 is 113: 60 projects at state universities (totaling \$1.8 billion), and 53 at community colleges (totaling \$500 million).

Of that number, thirteen higher education projects are currently authorized for planning, but have not yet been authorized to begin construction (8 at community colleges and 5 at state universities).

State Agency Projects

Over the last 10 years, projects totaling \$1.2 billion have been authorized for state agencies: \$842 million from the State Building Authority, \$254 million from the general fund, and \$77 million from federal sources. Of this amount, \$447 million was authorized for Department of Corrections projects, and \$753 million was authorized for other state department projects.



*68%
of capital
outlay
projects
during the
1990's were
for higher
education*

Maintenance at State Facilities

The fiscal year 2002 budget includes \$27.8 million for maintenance at state facilities, with \$19.5 million from the general fund. These appropriations reflect prioritized capital maintenance needs identified by state departments in their comprehensive, 5-year capital outlay plans. Building maintenance funds are recommended for distribution based on a review of the facility assessments and program initiatives contained in these 5-year plans. These recommendations will fund critical maintenance needs for the departments of Community Health, Corrections, Family Independence Agency, Management and Budget, Military Affairs, Natural Resources and State Police.

Natural Resources Projects

The Governor recommends \$14.5 million in restricted fund projects for the Department of Natural Resources. This recommendation includes \$6.3 million for harbor and boating programs, \$2.5 million for state park repair and maintenance, and \$5.7 million for wildlife habitat development and acquisition.

Transportation Projects

The Governor recommends \$152.7 million for airport improvement projects, \$26 million from the general fund. This continues funding for airport expansions at Detroit Metropolitan Airport (\$20 million) and Detroit Willow Run (\$1 million), and also includes \$131.7 million for general aviation airports throughout the state. Recommended fiscal year 2002 language also commits the state to match additional federal aviation funds, if they become available.

The fiscal year 2002 budget also includes \$9.8 million in restricted transportation funds for renovations and improvements in the Department of Transportation. Of this amount, \$5.8 million is recommended for infrastructure improvements at Department of Transportation facilities and \$750,000 is for institutional road improvements. In addition, \$2.8 million is recommended to reconstruct the welcome center in Coldwater and \$450,000 is recommended as planning authorization for new welcome centers in Dundee, Monroe, and St. Ignace.

Other Adjustments

The fiscal year 2002 budget removes \$4.5 million in one-time funding for the Department of Military Affairs' Midland maintenance shop, and \$43.6 million one-time Clean Michigan Initiative and Michigan Natural Resources Trust Fund appropriations made in fiscal year 2001.

Fiscal Year 2001 Supplemental

The fiscal year 2001 supplemental recommendation includes 20 Michigan Natural Resources Trust Fund development projects and 21 acquisition projects. The Governor also recommends \$5 million to complete fish hatchery renovations originally authorized in Act 116 of 1997, bringing the total authorized project cost to \$23.3 million. This increase is financed with \$3 million from State Building Authority bond revenues and \$2 million general fund revenue transferred from the Forest Resource Development program within the Department of Natural Resources.

(Amounts In Thousands)

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|-------------|----------------------|--|-------------|-------------|-------------|
| GF/GP | \$23,713.0 | | | \$32,078.8 | \$35,271.0 | \$38,097.9 |
| All Funds | \$32,471.3 | | | \$55,132.3 | \$61,393.5 | \$65,248.1 |
| | | % Change - GF/GP | | | 10.0% | 8.0% |
| | | % Change - All Funds | | | 11.4% | 6.3% |

[illegible]

Department of Attorney General

As the State of Michigan's chief law enforcement officer, the Attorney General upholds and preserves the state's legal interests. To accomplish this, the Attorney General provides legal advice and representation to state officials and agencies and, when warranted, initiates legal action on behalf of the citizens of Michigan.

The Governor's fiscal year 2002 budget recommendation for the Attorney General is \$65.2 million, of which \$38.1 million is general fund.

Protection of Assets — Defense of Client Agencies

The Attorney General protects the assets of the people of the State of Michigan by defending lawsuits filed against state departments, boards, commissions, agencies and their officials. In addition to defending state agencies, the Attorney General also represents legislators and judges who may be sued while acting in their official capacity. Last year, individuals and groups filed suit against the state seeking more than \$1 billion in damages; actual payments on suits totaled \$23.4 million.

Tobacco Litigation

The Attorney General pursues legal actions against individuals and organizations who have harmed the interests of the public, including the continued enforcement of the Tobacco Master Settlement Agreement, originally signed in 1998. Enforcement issues include preventing violations of billboard advertisement restrictions, monitoring non-participating manufacturer sales, and discouraging sales of tobacco products to children. The Attorney General works with the National Association of Attorneys General to prepare for any potential legal actions regarding bankruptcy of a tobacco company, federal Internal Revenue Service's claims, and other issues affecting the amount of the settlement payment.

Computer Crime Prosecution

The Attorney General has made the prosecution of computer crime a major priority. Working in conjunction with the Michigan State Police, the Attorney General is dedicating staff to investigate and prosecute computer-related crimes.

"Hacking is the dark side of high technology's power and progress. For every person using a computer or the Internet for research, commerce or communication, there may be another person using that technology to commit a crime. The Internet, unfortunately, has become one more tool to pick the locks of companies across the country."

Attorney General Granholm, September 14, 2000

The department has begun successfully prosecuting and convicting criminals who were either defrauding Internet users or soliciting to manufacture a controlled substance, specifically GHB, known as the date rape drug. The department also has filed criminal charges related to child pornography, murder, and is currently investigating potential criminal actions in the

following areas: transmission of computer viruses, fraud, identity theft, hacking and other unauthorized intrusions. Besides investigating and prosecuting cybercrimes, training and assistance is provided to other law enforcement agencies in the state.

Increasing the Efficiency of Legal Operations Through Technology

To stretch the existing resources of the Attorney General's legal staff, the department is upgrading all computer systems department-wide including the implementation of a centralized software and support system. This technology enhancement will allow faster, more economical access to legal research systems while minimizing support costs. The budget recommendation includes additional funding of \$170,000 for this project.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|----------------|----------------|----------------|----------------|
| Maintain or reduce the amount of court judgements or settlements paid as a percentage of total settlements sought by plaintiffs: | | | | |
| • Corrections | 0.9% | 2% | < 2% | < 2% |
| • Community Health | 3% | 3% | < 10% | < 10% |
| • Tort Defense | 24% | 5% | < 30% | < 30% |
| Maintain or increase percentage of child custody recommendations upheld by court: | | | | |
| • Wayne County Family Court | 97.5% | 96.2% | > 95% | > 95% |
| • Michigan Court of Appeals | 98.6% | 97.4% | > 95% | > 95% |
| • Michigan Supreme Court | 100% | 100% | > 80% | > 80% |
| Maintain or increase the amount of revenue collected as a result of lawsuits filed at the request of client agencies | \$22.6 million | \$34.1 million | \$23.5 million | \$23.5 million |
| Reduce or maintain the average time necessary to issue a formal legal opinion | 70 days | 65 days | 65 days | 65 days |

(Amounts In Thousands)

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|-------------|----------------------|--|-------------|-------------|-------------|
| GF/GP | \$12,110.9 | | | \$14,739.3 | \$14,338.5 | \$14,890.8 |
| All Funds | \$13,402.9 | | | \$15,623.3 | \$15,272.5 | \$15,824.8 |
| | | % Change - GF/GP | | | -2.7% | 3.9% |
| | | % Change - All Funds | | | -2.2% | 3.6% |

| KEY ISSUES | GF/GP | All Funds |
|---|----------------|----------------|
| Transfer Spanish Speaking Affairs to Department of Career Development | (\$211.3) | (\$211.3) |
| Budgetary Savings | (\$74.8) | (\$74.8) |
| Economic Adjustments | <u>\$838.4</u> | <u>\$838.4</u> |
| Subtotal | \$552.3 | \$552.3 |
| FY 2002 Executive Recommendation | \$14,890.8 | \$15,824.8 |

Department of Civil Rights

The fiscal year 2002 budget recommendation for the Department of Civil Rights continues the efforts of the department to protect the civil rights of Michigan's citizens. Funding for fiscal year 2002 is recommended at \$15.8 million, of which \$14.9 million is general fund. The budget reflects the transfer of the Spanish Speaking Affairs Commission to the Department of Career Development under Executive Order 2000-5.

"For 35 years, the Department of Civil Rights has been a powerful and effective force against discrimination, providing outstanding leadership and education to the people of Michigan."

Governor John Engler on the 35th Anniversary of the Department of Civil Rights, July 22, 2000

For more than 35 years, the Michigan Department of Civil Rights has been a national leader in the field of civil rights, most recently by developing a streamlined problem resolution process to review and resolve complaints quickly and fairly. Technology was introduced to standardize and expedite complaint investigations and staff was trained in problem resolution techniques. Using this approach, the department eliminated 4,300 backlogged cases and now resolves new complaints swiftly: 14 days for early informal resolution and 84 days for full investigation. The department also continues to promote educational efforts to ensure voluntary compliance with civil rights.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|----------|----------|---------|---------|
| Prevent discrimination by increasing the number of education and outreach conferences, workshops and seminars for businesses and communities | 275 | 546 | 600 | 600 |
| Increase the number of civil rights complaints that are resolved informally | 1180 | 3664 | 3000 | 3100 |
| Resolve civil rights investigations at a quicker rate | 265 days | 120 days | 95 days | 84 days |

Department of Civil Service

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$13,479.0 | | | \$11,997.2 | \$11,218.9 | \$11,446.1 |
| All Funds | \$18,686.6 | | | \$29,785.5 | \$30,405.6 | \$30,878.1 |
| | % Change - GF/GP | | | | -6.5% | 2.0% |
| | % Change - All Funds | | | | 2.1% | 1.6% |

| KEY ISSUES | | GF/GP | All Funds |
|---|--|---------------------|---------------------|
| Budgetary Savings | | (\$57.5) | (\$57.5) |
| Economic Adjustments | | \$299.7 | \$545.0 |
| Other Adjustment | | (\$15.0) | (\$15.0) |
| Subtotal | | \$227.2 | \$472.5 |
| FY 2002 Executive Recommendation | | \$11,446.1 | \$30,878.1 |

Department of Civil Service

Under the oversight of the Michigan Civil Service Commission, the Department of Civil Service regulates all conditions of employment in the classified service and maintains and operates the state's personnel resource system. The department also provides customized services to state agencies to help develop and maintain the work force needed to perform the diverse responsibilities of state government. The department administers employment examinations, classifies positions and trains state employees in a variety of areas. The department maintains a Web site that contains recruiting information, job postings, and electronic employment applications. The agency Web site provides candidates and employees with information regarding personnel policies and procedures, as well as information about the candidate selection process.

The fiscal year 2002 budget recommendation for the Department of Civil Service continues the department's statewide leadership efforts in human resource initiatives. Overall funding for fiscal year 2002 is recommended at \$30.9 million, of which \$11.4 million is general fund.

Human Resources Management Network

By April 2001, the new Human Resources Management Network (HRMN) will be implemented. HRMN is designed to provide an integrated system for delivering payroll, personnel, and employee benefits. Its implementation will result in streamlined business processes, better information for customers, improved services, and the flexibility to manage Michigan's work force in the future.

Fiscal Year 2001 Supplemental

Supplemental funding of \$3.2 million, \$2.2 million general fund, is recommended for the Department of Civil Service. This provides funding to complete phase I of the new HRMN system.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|---------|---------|---------|---------|
| Increase the percentage of qualified workforce appointments made within one month: | | | | |
| • 30 days or less | 79% | 85% | 90% | 90% |
| • 31 to 60 days | 11% | 8% | 5% | 5% |
| • 61 or more days | 10% | 7% | 5% | 5% |
| Increase hiring managers' satisfaction with the quality of candidates | 75% | 78% | 85% | 90% |
| To improve the skills of the state workforce, increase the number of employees participating in Civil Service training courses | 12,690 | 14,012 | 15,400 | 17,000 |

Executive Office

The Executive Office is the office of the Governor. The budget provides funding support for immediate staff who assist the Governor in executing his constitutional responsibilities as chief executive of the eighth largest state in the United States. The Executive Budget also includes funding for the Lieutenant Governor's office. The Lieutenant Governor performs gubernatorial functions in the Governor's absence, presides over the Senate, serves on the State Administrative Board and represents the Governor at selected local, state and national meetings. The Office of the Governor is located in the State Capitol in Lansing.

The fiscal year 2002 Executive Budget recommendation reflects a continuation budget for the Executive Office, with total funding of \$5.8 million.

Improving Services and Accessibility

The Governor recognizes the vital role that citizens play in the decision-making process of state government. Easy access to decision makers is a key component to a well-informed public. For that reason, the Executive Office has worked to make state government more accessible. A state Web site, "Michigan State

Government" (<http://www.state.mi.us>) has been established with information on all the branches of state government: executive, legislative and judicial, including the status of pending legislation, House and Senate journals and calendars, and links to the Governor's office, the Lieutenant Governor's office, each legislator and other state agencies. In addition, the Web site offers state services arranged by theme areas such as business services, employment, criminal justice and law, education, health and human services, and travel and recreation.

"This Web site marks the first step in making Michigan the information state. Watch for more updates and interactive material soon. I'm excited about the changes to come and hope that you will visit this site frequently as a resource for information about our great state."

Governor John Engler, August 25, 2000

(Amounts In Thousands)

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|--------------------|----------------------|--|--------------------|--------------------|--------------------|
| GF/GP | \$85,915.9 | | | \$115,634.2 | \$118,162.4 | \$125,746.3 |
| All Funds | \$88,187.6 | | | \$118,896.9 | \$121,480.4 | \$129,064.3 |
| | | % Change - GF/GP | | | 2.2% | 6.4% |
| | | % Change - All Funds | | | 2.2% | 6.2% |

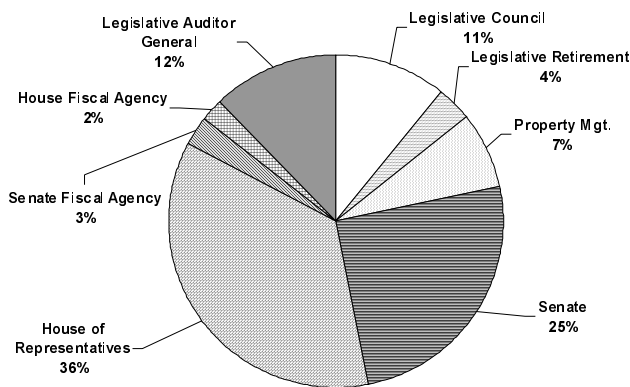
| KEY ISSUES | GF/GP | All Funds |
|----------------------------------|-------------|-------------|
| Economic Adjustments | \$7,583.9 | \$7,583.9 |
| Subtotal | \$7,583.9 | \$7,583.9 |
| FY 2002 Executive Recommendation | \$125,746.3 | \$129,064.3 |

Legislature

The Michigan Constitution vests the state's lawmaking power in a two-house Legislature consisting of a 38-member Senate and a 110-member House of Representatives. Senators are elected for four-year terms and Representatives are elected for two-year terms. In 1992, Michigan voters supported a ballot proposal to limit the number of terms legislators can hold political office. Representatives are now limited to three two-year terms and Senators are limited to two four-year terms. The Legislature is a sovereign and independent branch of state government with the authority to enact laws by which the actions of the government and the people are regulated and protected.

The fiscal year 2002 recommended budget for the state Legislature is \$113.4 million, of which \$112.0 million is general fund.

Fiscal Year 2002 Spending by Category



The Legislative budget includes funding to support members and employees of the Michigan Senate and Michigan House of Representatives. Funding is also provided for the Senate Fiscal Agency, House Fiscal Agency, Legislative Council, Legislative Auditor General, and the Legislative Corrections Ombudsman Office.

Providing a Window to State Government

Citizens can play an important role in the decision-making process of state government. Easy access to decision makers is a key component to a well-informed public. For that reason, a Web site has been developed

(<http://michiganlegislature.org>) with valuable information on legislative activities including information on pending legislation, House and Senate Journals and calendars and bill status. There are also links to each legislator, the Governor's office and other state agencies.

Michigan Government Television (MGTV) provides access to state government with CNN-style programming. To ensure balance, the programming is equally divided between Executive, Legislative and Judicial branches and is available on most cable stations across the state.

Legislative Auditor General

The recommended fiscal year 2002 budget for the Legislative Auditor General totals \$15.6 million. The Auditor General performs fiscal and program audits for state departments and agencies, as well as audit reviews for local school districts, community colleges and universities, the Judiciary, and the Legislature. These audit reports help insure that state revenues and expenditures are spent in accord with the State Constitution, laws, rules and procedures, and that state programs are effective and efficient. Auditor reports can be accessed through the Auditor General Web site (<http://www.state.mi.us/audgen>).

*The
budget
for the
Legislature
funds
elected
officials
and their
staff*

Library of Michigan

(Amounts In Thousands)

Funding History

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|----------------------|--|--|--------------------|--------------------|--------------------|
| GF/GP | \$26,497.9 | | | \$34,258.1 | \$35,197.4 | \$35,276.3 |
| All Funds | \$30,430.7 | | | \$38,977.4 | \$39,916.7 | \$39,995.6 |
| | % Change - GF/GP | | | | 2.7% | 0.2% |
| | % Change - All Funds | | | | 2.4% | 0.2% |

KEY ISSUES

| | GF/GP | All Funds |
|--|---------------------|---------------------|
| Economic Adjustments | \$166.0 | \$166.0 |
| Renaissance Zone Reimbursement Reduction | (\$87.1) | (\$87.1) |
| Subtotal | \$78.9 | \$78.9 |
| FY 2002 Executive Recommendation | \$35,276.3 | \$39,995.6 |

Library of Michigan

The Library of Michigan, located in Downtown Lansing, is the second largest state library in the nation, maintaining a collection of more than three million books, including an even greater number of state and federal government publications. In addition to serving local libraries and all the citizens of Michigan, the Library serves as the primary reference source for the Legislature and state agencies. It responds to more than 55,000 queries and requests each year and circulates nearly 500,000 items annually.

Funding for fiscal year 2002 is recommended at \$40.0 million total, \$35.3 million general fund and continues full funding of state aid to Michigan libraries.

Services Available to the Public

- The Library of Michigan staff support and maintain the Michigan Legislative Web site (<http://michiganlegislature.org>) and Michigan Compiled Law Web site (<http://michiganlegislature.org/law>); both are resource sites for legislators and residents of Michigan.
- The Michigan Electronic Library (<http://mel.org>) is an online information system that provides Michigan residents with free access to more than 26,000 Web sites. The virtual library is selected and evaluated by librarians and is designed to be a comprehensive electronic information tool. This valuable tool will be enhanced and expanded in fiscal year 2002.
- Access Michigan (<http://www.accessmichigan.lib.mi.us>), an online statewide database access project, provides Michigan residents with free access to a compilation of more than 70 commercial databases, more than 2,000 full text magazines and newspaper articles, and 3,000 other magazines and journal titles with citations and abstracts. The project is available through local area libraries and is funded by state and federal dollars.
- The State Law Library, located in the G. Mennen Williams Building, provides legal research services for state and legislative employees. The State Law Library is also open to the public.
- The Library for the Blind and Physically Handicapped at the Library of Michigan provides library materials to citizens who cannot see or are unable to hold a book. The state's only Braille library is available to the public and the collection of titles can also be accessed through the Internet.
- The Library of Michigan has one of the top 10 genealogy collections in the United States. More than 100,000 annual users frequent the family history records to research their ancestry.

- The unique Michigan Documents Collection contains publications from all state executive, judicial and legislative agencies with materials dating back to pre-statehood. The Library of Michigan also distributes Michigan documents to 65 depository libraries across the state.
- The Michigan Collection includes current and historical publications on all subject areas relating to Michigan and the Great Lakes region. This collection includes state and local histories, biographies of famous citizens, fiction by Michigan authors, maps, industry and economic histories, botanical and zoological information, and newspapers on microfilm.

66% of the Library of Michigan's budget supports local libraries

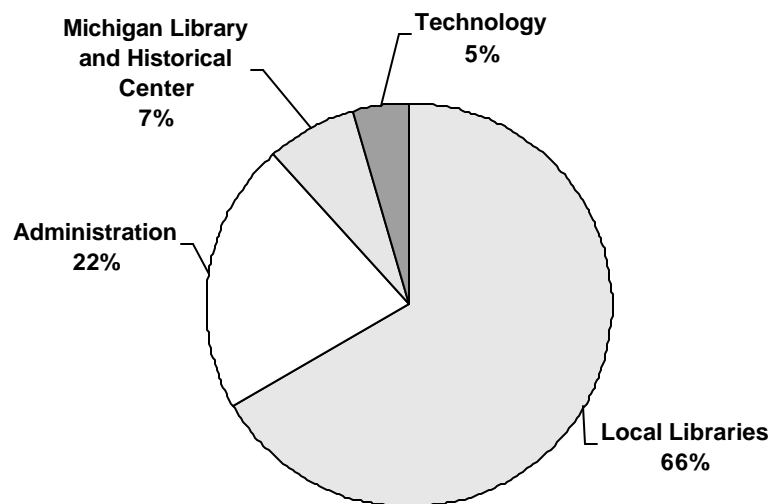
Assisting Local Libraries

Over \$26 million (two-thirds) of the fiscal year 2002 budget for the Library of Michigan is allocated to support local library services. The Library of Michigan distributes more than \$21.2 million in state aid to Michigan public and cooperative libraries. Additional funding from the Library Services and Technology Act (LSTA) grant program brings in more than \$4.5 million in federal funds to Michigan. All libraries are eligible to submit subgrant applications to support library services and technology-based projects.

The Library of Michigan reviews and approves the technology plans of Michigan's libraries for the Universal Service Fund (USF). This effort assisted Michigan libraries and schools in receiving \$55.9 million in USF discounts during calendar year 2000.

The Library Development Division of the Library of Michigan provides direct consultation and continuing education opportunities for local librarians and trustees. Consultation in the area of youth services, legal issues, and library programs are available to local libraries.

Fiscal Year 2002 Spending by Category



Department of Management and Budget

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|----------------------|--|--|-------------|-------------|-------------|
| GF/GP | \$32,160.9 | | | \$80,645.3 | \$46,960.8 | \$47,119.5 |
| All Funds | \$109,600.8 | | | \$178,071.7 | \$163,529.8 | \$175,936.6 |
| | % Change - GF/GP | | | | -41.8% | 0.3% |
| | % Change - All Funds | | | | -8.2% | 7.6% |

KEY ISSUES

| | GF/GP | All Funds |
|--|-------------------|--------------------|
| State Space Plan Adjustment | \$0.0 | \$11,370.2 |
| Office of Design and Construction (8.0 FTE's) | \$0.0 | \$750.6 |
| Administrative Efficiencies in the Office of Retirement Services | \$0.0 | (\$1,500.0) |
| Health Insurance Reserve Fund Adjustment | (\$258.1) | (\$258.1) |
| Statewide Cost Allocation Adjustment | (\$125.9) | \$0.0 |
| Remove One-Time Funding | (\$116.9) | (\$116.9) |
| Budgetary Savings | (\$238.3) | (\$238.3) |
| Economic Adjustments | \$897.9 | \$2,349.3 |
| Other Adjustments | <u>\$0.0</u> | <u>\$50.0</u> |
| Subtotal | \$158.7 | \$12,406.8 |
| FY 2002 Executive Recommendation | \$47,119.5 | \$175,936.6 |

Department of Management and Budget

The Department of Management and Budget supports the business operations of state agencies through a variety of services. These services include: building management and maintenance, centralized contracting and purchasing programs, space planning and leasing, voice and data communication, centralized information processing, construction management, management of the state motor vehicle fleet and management of the state's retirement systems.

"Good management practices are no less crucial, particularly those that can soften a recessionary blow. They include the state's prudent handling of its rainy day fund, responsible phase-in of tax cuts, better planning for building projects, and administrative changes such as a new board to monitor the bonding."

Detroit Free Press, September 30, 2000

The total recommended budget is \$175.9 million, of which \$47.1 million is general fund.

Within the organizational structure of the department, there are three separate autonomous agencies with unique missions: Office of the State Budget, the Office of the State Employer and the Office of Children's Ombudsman.

Office of the State Budget

The State Budget Director serves as the Governor's primary advisor on fiscal matters. The Office of the State Budget is responsible for coordinating all Executive Budget activities including development of the Executive Budget recommendation, presentation of the budget to the Legislature and implementation of the budget after enactment. The State Budget Director also oversees the state's accounting and payroll functions, the state's financial management system, geographic information systems development, data mapping and demographic data functions.

Office of the State Employer

The Office of the State Employer oversees all collective bargaining negotiations and formulates, executes, and administers labor relations policies for state classified employees. The Office also administers the employee and retiree group insurance plans, health screening for employees and pension recipients, the Disability Management Program, the Health Awareness Program, the Employee Services Program, the Quality Recognition Program and the Office of Performance Excellence.

Office of Children's Ombudsman

The Office of Children's Ombudsman monitors compliance with relevant statutes, rules, and policies pertaining to children's protective services and the placement, supervision, and treatment of children in foster care and adoptive homes. The Ombudsman is appointed by and serves at the pleasure of the Governor.

Service Improvements

By appropriate use of technology and other measures, the department has saved taxpayer money, improved customer service, and created opportunities for additional service enhancements. Recent highlights and improvements include:

- For 13 consecutive years, the State of Michigan has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association and is a candidate for this prestigious award for fiscal year 2000 as well. In addition, through various process improvements, the Office of Financial Management has significantly reduced the time necessary for the state's book closing process without sacrificing the quality of the Comprehensive Annual Financial Report.
- The state has created a Contract and Payment Express Web site (<http://www.state.mi.us/dmb/budget/security.htm>) that provides on-line services to vendors and individuals. The registration option allows the user to receive payments via electronic fund transfer (EFT) and update mailing information.
- To create a user-friendly environment for its customers while improving functionality among state agencies, the department is continuing its implementation of an overall space plan designed to meet the current and projected needs of state agencies. These enhancements are achieved with consolidation of state agencies that are currently in multiple leased and state-owned locations. Consolidation efforts in fiscal year 2002 are primarily in the Lansing and Detroit areas. The DMB property services budget will increase by \$11.3 million to reflect these new consolidation efforts. Private rent reductions totaling \$2.4 million will offset the aforementioned increases.

Additionally, the state is purchasing the Grand Tower Building in Lansing. This building will be converted from a private leased and managed facility to one that is managed by DMB. Through this purchase and realignment of existing staff, operational costs will be reduced by nearly \$3.5 million without adding any additional staff for maintenance.

- In order to consolidate retirement services into one location for State employees, administration of the Deferred Compensation and Defined Contribution plans were transferred to the Office of Retirement Services in 1999. As a result of this consolidation effort and implementation of administrative efficiencies, overhead costs for the retirement programs will be reduced by \$1.5 million without impacting customer service.

Fiscal Year 2002 Recommendations

The fiscal year 2002 recommendation includes \$50,000 for the Consolidated Print Center and a \$750,600 increase in the Office of Design and Construction for soil

erosion and sedimentation control staff (2.0 FTE's) and capital improvement project management staff (6.0 FTE's). Funding for additional project management staff will improve oversight of capital outlay and major special maintenance projects.

In addition, the Executive Budget recommendation for fiscal year 2002 includes a deposit to the Health Insurance Reserve Fund. The State Employees Retirement System (SERS) statute requires that savings generated from the implementation of the defined contribution retirement program be appropriated annually to the Health Insurance Reserve Fund. The deposit in fiscal year 2002 will be \$154,100.

Fiscal Year 2001 Supplemental

The Governor recommends \$12 million in supplemental funding for further development of e-Michigan, an Internet based approach to state government. No

"Reaching our e-commerce goals means that state government will always be open for service, 24 hours a day, 7 days a week. Using a single portal will break down a host of traditional barriers between regions and departments, or wherever we find them. This initiative promises to change forever the relationship between government and the citizens it serves."

Governor John Engler, State of the State Address, January 2000

longer will citizens need to know the structure of state government in order to access the assistance or information they need. Organized by common themes such as business services, education, health and family wellness, professional licensing, and travel and recreation, e-Michigan provides access to state services through an easy-to-navigate, user-friendly Web-based interface. Citizens will be able to conduct business with the state from the convenience of their homes or businesses, without ever having to wait in line.

Supplemental funding will support electronic form submission, online business start-up services, education-related enhancements such as links for students for online homework help, and upgrades to the campground central reservation system to allow boaters to make harbor and marina reservations online. In addition, supplemental funding is provided for the development of Web based information systems to assist citizens in obtaining health care services and information.

Due to the implementation of the Human Resources Management Network, there are opportunities to improve services provided by the Office of the State Employer. Supplemental funding of \$500,000 will support the integration of the workers' compensation and long term disability reporting and record keeping. In addition, the funding will streamline the group insurance open enrollment process using Web-based technology.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|--------------|----------------|-----------------|-----------------|
| In order to improve customer service to retirees, increase the percentage of retirees issued first retirement check within 60 days | 88% | 90% | 90% | 90% |
| Improve customer satisfaction with facility design and construction services by meeting customer needs and time lines, and effectively controlling costs (percent satisfied) | N/A | N/A | 85% | 85% |
| In order to support business operations, ensure that buildings are open and operational 99% of the time | 99% | 99% | 99% | 99% |
| In order to deliver quality technology services to state agencies, increase the percentage of problems acknowledged within the target time frames <ul style="list-style-type: none"> Urgent (10 minutes) High (30 minutes) | N/A N/A | 82.8% 79.2% | 90% 90% | 95% 95% |
| In order to improve state government fiscal integrity, complete fiscal year with a positive balance in accord with Generally Accepted Accounting Principles | Accomplished | Accomplished | Will Accomplish | Will Accomplish |
| In order to improve customer service, increase the percent of vendor/payee registrations processed within 3 days of receipt | 95% | 96% | 97% | 97% |

(Amounts In Thousands)

| | <u>FY90</u> | | | <u>FY00</u> | <u>FY01</u> | <u>FY02</u> |
|-----------|--------------------|----------------------|--|--------------------|--------------------|--------------------|
| GF/GP | \$15,954.1 | | | \$60,784.2 | \$65,130.2 | \$67,904.2 |
| All Funds | \$117,337.2 | | | \$182,210.5 | \$186,385.2 | \$191,680.7 |
| | | % Change - GF/GP | | | 7.1% | 4.3% |
| | | % Change - All Funds | | | 2.3% | 2.8% |

| KEY ISSUES | GF/GP | All Funds |
|--|------------------|------------------|
| Qualified Voter File Costs | \$339.9 | \$339.9 |
| Thunder Bay National Marine Sanctuary | \$200.0 | \$200.0 |
| Historic State Preservation Authorization Increase | \$0.0 | \$400.4 |
| Budgetary Savings | (\$340.2) | (\$340.2) |
| Economic Adjustments | <u>\$2,574.3</u> | <u>\$4,695.4</u> |
| Subtotal | \$2,774.0 | \$5,295.5 |
| FY 2002 Executive Recommendation | \$67,904.2 | \$191,680.7 |

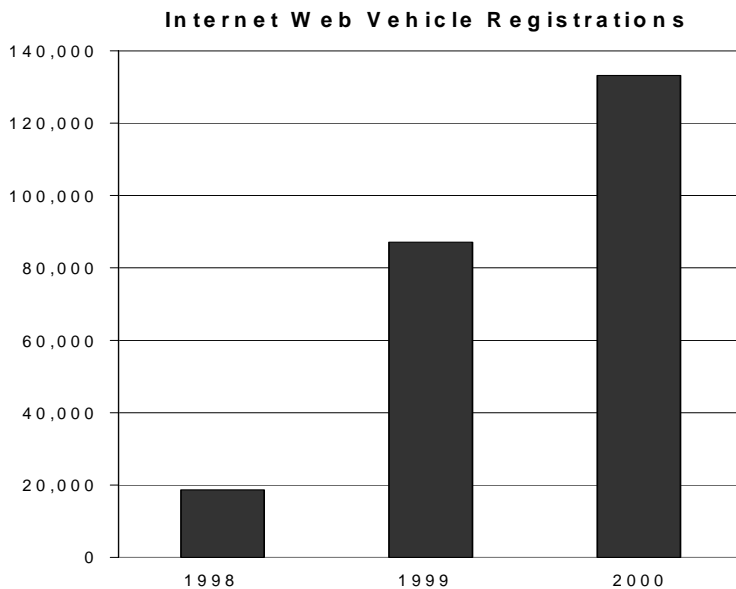
Department of State

The fiscal year 2002 Executive Budget recommendation for the Department of State provides for the continuation of the department's customer services initiatives. Department services include licensing of drivers and the registration and titling of vehicles, the regulation of automobile dealers and repair facilities, the registration of voters and administration of the state's elections, and the preservation of Michigan's history. Funding for fiscal year 2002 is recommended at \$191.7 million, of which \$67.9 million is general fund.

Enhancing Customer Service and Protecting Privacy

As a result of technological advances, the department has been able to deliver services to Michigan's citizens in a more efficient and effective manner. The

Department of State was the first government agency in Michigan to allow customers to do business over the Internet, and Internet vehicle registrations have continued to increase dramatically. In protecting privacy and public trust, the department has restricted data on the magnetic stripe and bar code of the new driver license and recently implemented the Opt Out program, which gives residents an opportunity to keep their names off lists sold for marketing and solicitation purposes. The department also limits access to personal information from the department's driver and vehicle files to only those with a legally permissible need for the information.



*Internet
vehicle
registrations
soar*

Election Administration

The Michigan Electronic Voter Guide, unveiled in September, provides residents with a new resource to obtain information about state candidates, political parties, and statewide ballot issues. The guide also provides a link to campaign finance information filed by candidates and general information about voting, voter registration and absentee voter ballots. In an effort to address concerns about voter turnout, the department initiated a Register-to-Vote postcard to Michigan teenagers on their 18th birthday, reminding them to register to vote.

The Qualified Voter File (a statewide computerized file of registered voters) was successfully used to manage the presidential primary, state primary and state general elections in 2000. The Qualified Voter File produced up-to-date precinct lists for every precinct in the state, and many jurisdictions used the File's absentee voter module to process absentee voter ballots. The fiscal year 2002 budget adds \$339,900 to support and maintain the Qualified Voter File.

Driver and Traffic Safety

In its first year of operation, more than 18,000 license plates of dangerous drivers have been confiscated under the Repeat Offender laws. As part of the implementation of registration denial, the department developed a new Web site allowing automobile dealers to immediately check whether a customer is eligible to register a vehicle. The Department of State has partnered with General Motors on a new safety initiative designed to help reduce the risk of accidents associated with driver distraction. Called SenseAble Driving, the program will raise public awareness about the dangers posed by driver distractions. A "Hands on the Wheel, Eyes on the Road" six-month pilot program will be conducted to provide information to the general driving population.

Historic Preservation

The fiscal year 2002 recommendation also includes an increase of \$400,400 in federal historic preservation funding. A portion of the funding will be distributed in competitive grants to local units of government for the preservation of historic sites; the balance will be used by the department to fulfill the mandates of the National Historic Preservation Act.

"I'm announcing the State of Michigan and the National Oceanic and Atmospheric Administration have agreed to enter into an equal partnership to jointly manage the shipwrecks of Thunder Bay for the benefit of all."

Governor John Engler, June 20, 2000

Included in the recommendation is \$200,000 for the first of a five year commitment to the Thunder Bay National Marine Sanctuary and Underwater Preserve. This preserve, the first one to be so designated, was placed on a site evaluation list by the National Oceanic and Atmospheric Administration in 1983. The funding will be combined with federal funds in a joint effort to manage the collection of shipwrecks in the bottom lands of Thunder Bay.

Fiscal Year 2001 Supplemental

The recommendation includes \$2.5 million general fund to be used for implementation costs associated with the recent statutory revisions to the Uniform Commercial Code. The new legislation establishes performance standards, electronic filing and searching, and a two-day turnaround processing time. The department will develop an electronic imaging system allowing direct electronic access by users to meet the new statutory requirements.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--|----------------------------|-----------------------------|--------------------|--------------------|
| Increase customer use of technology for conducting business with Secretary of State (annual increase over prior year) <ul style="list-style-type: none"> • Touch tone telephone registration • Mobile office • Internet registrations | 139,381 8,923 69,229 | 168,160 8,513 147,740 | +5% +5% +10% | +5% +5% +10% |
| Increase customer access to Michigan history resources (annual increase over prior year) <ul style="list-style-type: none"> • Museum visitors • Web site "hits" | 160,369 835,000 | 164,601 1,246,000 | +5% +8% | +5% +10% |
| Reduce number of repeat offenders on Michigan roads through license plate confiscations | 5,600 | 20,655 | 25,000 | 26,000 |
| Increase the number of organ donors on the Gift of Life Registry | 133,197 | 286,590 | 375,000 | 500,000 |
| Increase overall customer satisfaction and quality of branch office visits (percent of survey respondents indicating approval) | 80% | 85% | 90% | 92% |

Department of Treasury

(Amounts In Thousands)

Funding History

| | FY90 | | | FY00 | FY01 | FY02 |
|-----------|---------------|----------------------|--|---------------|---------------|---------------|
| GF/GP | \$101,606.4 | | | \$165,847.0 | \$160,320.7 | \$175,398.1 |
| All Funds | \$1,329,189.7 | | | \$1,895,893.9 | \$2,047,482.9 | \$2,120,449.3 |
| | | % Change - GF/GP | | | -3.3% | 9.4% |
| | | % Change - All Funds | | | 8.0% | 3.6% |

KEY ISSUES

GF/GP

All Funds

| | | |
|---|--------------------|----------------------|
| Revenue Sharing Payments | \$0.0 | \$54,400.0 |
| Debt Service Requirements | \$20,424.5 | \$20,424.5 |
| Technology Plan - Customer Service Improvements | (\$5,000.0) | \$3,000.0 |
| Convention Facility Grants | \$0.0 | \$4,000.0 |
| Michigan Merit Award Test Development | \$0.0 | \$1,500.0 |
| Michigan Merit Award Data Base Development | \$0.0 | \$1,000.0 |
| Lien Filings | \$0.0 | \$1,000.0 |
| Implement Public Act 123 of 1999 - Tax Reverted Property | \$1,588.0 | \$659.3 |
| Senior Citizens Cooperative Housing Tax Exemption Payments | \$500.0 | \$500.0 |
| Adjust Michigan Education Savings Plan to Reflect Anticipated Spending | \$0.0 | (\$8,000.0) |
| Adjust Tax Increment Financing Authority Payments to Reflect Anticipated Spending | (\$3,500.0) | (\$3,500.0) |
| Remove Casino Gaming Construction One-Time Monitoring/Space Costs | \$0.0 | (\$3,900.0) |
| Adjust Health and Safety Grants to Actual Revenue | \$0.0 | (\$825.0) |
| Adjust Federal Funds to Actual Revenue | \$0.0 | (\$310.0) |
| Remove Unavailable Audit Fee Revenue | \$0.0 | (\$200.0) |
| Budgetary Savings | (\$408.7) | (\$408.7) |
| Economic Adjustments | \$1,359.2 | \$3,962.7 |
| Other Adjustments | <u>\$114.4</u> | <u>(\$336.4)</u> |
| Subtotal | \$15,077.4 | \$72,966.4 |
| FY 2002 Executive Recommendation | \$175,398.1 | \$2,120,449.3 |

Department of Treasury

The Governor's fiscal year 2002 budget recommendation of \$2.1 billion supports the department's principal responsibilities for collecting state taxes; investing, controlling and disbursing state funds; protecting the state's credit rating and managing one of the nation's largest pension funds. The department also administers the revenue sharing program and student financial aid programs including the Michigan Merit Award.

"Michigan's general obligation bonds have just been given the highest rating, AAA, by Standard & Poor's, a leading Wall Street securities rating service. The top rating recognizes Michigan's restored economy and financial status."

Detroit News, October 1, 2000

Michigan's credit rating was recently upgraded to the highest possible level by Wall Street rating agencies, Standard & Poor's and Moody's, affirming the renewal of the state's economy and fiscal management. The state has not been rated AAA by Standard & Poor's since 1976 and, until now, had never received the Aaa rating from Moody's.

Customer Service Initiatives

The fiscal year 2002 recommendation includes \$8 million in dedicated funding that will complete a \$24 million customer service technology initiative. The tax administration system, which handles 9.5 million tax returns, collects over \$18 billion in revenue and processes over \$16 billion in tax expenditures. A business process reengineering study completed last year recommended customer service improvements as a first phase of a multi-year technology plan. Customer contacts will be processed through a standard management system providing greater responsiveness to customer inquiries. Other improvements will upgrade Internet accessibility and document management processes.

The fiscal year 2002 budget also includes \$1 million to continue the multi-state cooperative initiative to develop a voluntary tax collection system for remote sellers. Collection of remote sales taxes is important for funding schools and local governments, as well as maintaining fairness between Michigan retailers and remote sellers.

Putting an Emphasis on Education

Michigan Merit Award - More than 42,700 high school students qualified for \$2,500 scholarships to help pay for college or job training based on high performance on the Michigan Educational Assessment Program (MEAP) tests. It is estimated that the Merit Award program will provide over \$125 million in scholarships in fiscal year 2002 making it one of the largest state-based merit scholarship programs in the nation.

The fiscal year 2002 budget for MEAP tests is \$14.5 million, including an additional \$1.5 million for test development. Increased emphasis on MEAP tests, and new statutory guidelines that require 50 percent of the questions from each test to be publicly released annually, require significant test improvements. Test items must be updated more frequently, within reduced time parameters, and

with higher quality than ever before. New tests will be introduced for science and mathematics in 2002 and for English language arts in 2003.

The fiscal year 2002 recommendation also includes \$1 million for the Michigan Merit Award database development. The database will be the definitive MEAP and Merit Award database, containing all test scores, test attempts, qualifying criteria, and qualifying students. This database will also serve as the sole repository for data essential to administer the Golden Apple award, which recognizes elementary school achievement on 4th and 5th grade MEAP tests and the Governor's Cup award, which recognizes the high school in each athletic conference and class with the highest number of merit award recipients.

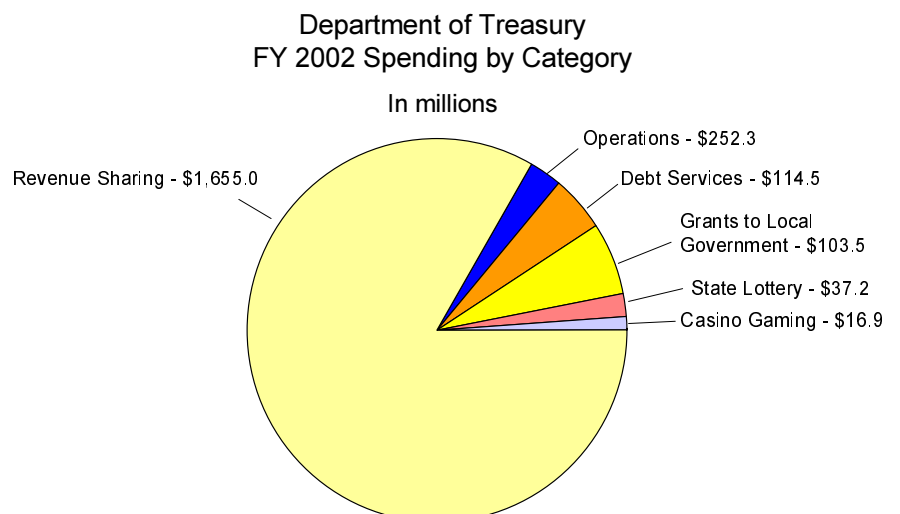
Michigan Education Savings Program - The department manages the recently launched Michigan Education Savings Program. This college savings program allows parents, grandparents, relatives or friends to contribute as little as \$25 to create an account to save for a child's higher education. Federal taxes on the earnings are deferred with taxes eventually paid at the student's income tax rate at the time of college. There are no state income taxes on earnings used to pay for qualified higher education expenses, and account owners can receive an annual state income tax credit of up to \$5,000 for individual filers (or \$10,000 for joint filers). The fiscal year 2002 recommendation includes \$2 million for matching grants for families with incomes below \$80,000 per year.

Revenue Sharing

Michigan's revenue sharing program provides unrestricted financial support to over 1,800 units of government, allowing communities to determine how best to fund local services. There are two ways that local units share in a portion of sales tax revenue: a constitutionally-dedicated portion is distributed to cities, villages and townships based on a community's population; an additional portion of sales tax revenue is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation.

Revenue sharing for local government exceeds \$1.6 billion

The level of funding available for distribution is based on sales tax revenues. January revenue forecasts estimate that overall 2001 revenue sharing payments will increase by 7.4 percent from fiscal year 2000. The Governor recommends a further increase of 5.4 percent in fiscal year 2002, totaling \$1.65 billion. The constitutional portion is \$683.9 million; the \$971 million statutory revenue sharing recommendation represents the maximum amount allowed under state law.



In January 1999, Governor Engler signed into law a new revenue sharing act. A ten-year phase-in of three formulas was designed to more equitably distribute payments among all cities, villages and townships. The city of Detroit receives an annual distribution of \$333.9 million, providing protection from annual funding reductions that would result from a likely decline in the 2000 census population. Fiscal year 2002 marks the fifth year of a gradual change in distributing revenue sharing payments among all other communities. The new law eliminates incentives for local tax increases, equalizes disparities in revenue raising capabilities, and recognizes that service delivery costs vary according to the type and size of a local unit.

The new law also limits combined constitutional and statutory revenue sharing payments to no more than an 8 percent increase from the prior year except for those communities with a 2000 census population increase of more than 10 percent. No limit is placed on the amount of revenue sharing payments received by these high growth communities. However, for other local units, the statute 'redistributes' the amount of revenues in excess of 8 percent to create a floor, or guaranteed minimum percentage increase, for other communities. In fiscal year 2001, the minimum funding floor is 1.4 percent over the fiscal year 2000 payment. In fiscal year 2002, the floor guarantees a 6.2 percent increase over the 2001 payment.

Implementation of section 13, subsection 12, of the new revenue sharing law has produced unintended negative impacts on certain cities, villages and townships. In fiscal year 2001, five communities are barred from sharing in the redistribution of funding and will receive less than the guaranteed 1.4 percent floor despite an estimated population increase in excess of 10 percent. For fiscal year 2002, the list grows to 193 communities unable to receive the estimated floor of 6.2 percent.

Governor Engler is proposing amendatory legislation to correct these negative effects. The Legislature is urged to enact changes effective for fiscal years 2001 and 2002, allowing communities with population growth in excess of 10 percent to share in the redistribution of revenue so that the minimum increase becomes a guarantee for all communities.

The Governor is also proposing amendatory legislation to establish a permanent 8 percent cap on year-to-year increases in revenue sharing payments, except for the year immediately following the census (i.e., fiscal year 2001). Beginning in fiscal year 2002, no community will receive an annual revenue sharing increase in excess of 8 percent. With this change, the pool of funding to be redistributed will be sufficient to raise the guaranteed minimum 2002 floor to 6.3 percent for all communities.

Other Local Programs

Tax Reverted Property - In fiscal year 2001, a new process was initiated to streamline a complex and antiquated system for processing tax reverted property. Tax reverted property will now be processed in three years or less as compared to the old process which could take up to six years. The fiscal year 2002 recommendation includes \$1.6 million to continue this new process.

Other fiscal year 2002 recommendations that affect local government include an increase of \$4 million for convention facility development grants and \$500,000 for senior citizen cooperative housing tax exemption payments.

Debt Service Obligations

The full faith and credit of the state are pledged for the payment of the principal and interest for bonds issued in accordance with Section 15 and Section 16, Article IX of the Michigan Constitution. The fiscal year 2002 recommendation includes an increase of \$20.4 million for debt service obligations, bringing the total for debt service to \$112 million. The increase includes \$14.0 million for new School Bond Loan Fund debt issuances, a 50 percent increase over the current year. In addition, \$1.2 million will support bond issuances for the Clean Michigan Initiative (CMI) and \$5.2 million covers debt payments for Quality of Life and Water Pollution Control bonds.

| Program Outcomes | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---------|---------|---------|---------|
| In order to improve the accuracy and timeliness of the tax process, increase the percentage of tax returns filed electronically | 23% | 29% | 50% | 56% |
| In order to improve the accuracy and timeliness of the tax process, increase the percentage of error free tax returns filed | 86% | 88% | 88% | 90% |
| In order to improve department efficiency, increase the percentage of all payments processed electronically | 18% | 21% | 41% | 55% |
| Increase the annual percentage of unclaimed property held by the state which is returned to rightful owners | 23% | 32% | 32% | 34% |

Fiscal Year 2002 General Fund/General Purpose
Sources and Uses of Funds
(in millions)

| | |
|---|-------|
| Beginning Fund Balance, October 1, 2001 | \$0.0 |
|---|-------|

REVENUES:

| | |
|---------------------------------------|------------|
| Estimated Consensus Baseline Revenues | \$10,590.8 |
|---------------------------------------|------------|

| | |
|----------------------|-------------|
| Consensus Adjustment | <u>-803</u> |
|----------------------|-------------|

| | |
|----------------------------------|--------|
| Estimated Consensus Net Revenues | 9787.8 |
|----------------------------------|--------|

Other Adjustments:

| | |
|---------------------------------------|-------|
| Single Business Tax (Act 477 of 2000) | (3.1) |
|---------------------------------------|-------|

| | |
|-------------------------------|-------------------------|
| Total Sources of Funds | <u>\$9,784.7</u> |
|-------------------------------|-------------------------|

EXPENDITURES:

| | |
|---------------------------------|-----------|
| FY2002 Executive Recommendation | \$9,784.6 |
|---------------------------------|-----------|

| | |
|----------------------------|----------------------|
| Total Uses of Funds | <u>9784.6</u> |
|----------------------------|----------------------|

| | |
|--|---------------------|
| Ending Fund Balance, September 30, 2002 | <u>\$0.1</u> |
|--|---------------------|

Fiscal Year 2002 All Funds
Sources and Uses of Funds
(in millions)

| | | |
|--|------------------|--------------------------|
| Beginning Fund Balance, October 1, 2001 | | \$1,108.8 |
| Change in Special Purpose Reserves and Non-Revenue Sources | | 852.5 |
| REVENUES: | | |
| Fiscal Year 2002 Estimate | \$37,961.0 | |
| Consensus Adjustment | <u>(839.6)</u> | |
| Estimated Consensus Net Revenues | | 37,121.4 |
| <u>Other Adjustments:</u> | | |
| Single Business Tax (Act 477 of 2000) | | (3.1) |
| NET TOTAL REVENUES | | <u>\$37,118.3</u> |
| Total Sources of Funds | | \$39,079.6 |
| EXPENDITURES: | | |
| Total FY2002 Executive Recommendation, all funds | 38,154.7 | |
| Less: interdepartmental grants and transfers | <u>(1,392.6)</u> | |
| Total Uses of Funds | | <u>\$36,762.1</u> |
| Subtotal | | \$2,317.5 |
| Estimated Fund Balance Reserves | | (1,488.1) |
| Ending Balance, September 30, 2002 | | <u>\$829.4</u> |

Historical Expenditures/Appropriations

Gross

| DEPARTMENTS | FY 90 Expend. | FY 91 Expend. | FY 92 Expend. | FY 93 Expend. | FY 94 Expend. | FY 95 Expend. | FY 96 Expend. | FY 97 Expend. | FY 98 Expend. | FY99 Expend. | FY00 Approp. | FY01 Approp. | FY02 Rec. |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Agriculture | 62,299,100 | 55,989,528 | 51,615,138 | 50,434,234 | 52,444,537 | 55,780,064 | 59,884,019 | 66,273,858 | 71,829,591 | 77,574,947 | 114,807,300 | 98,519,200 | 100,501,100 |
| Attorney General | 32,471,300 | 35,327,938 | 37,695,943 | 39,224,010 | 39,990,347 | 40,839,771 | 43,028,553 | 44,416,606 | 42,884,005 | 47,352,532 | 55,132,300 | 61,393,500 | 65,248,100 |
| Capital Outlay | 296,626,026 | 267,092,400 | 300,633,622 | 270,544,453 | 308,438,632 | 290,636,661 | 499,571,713 | 245,772,178 | 496,723,755 | 442,121,005 | 607,522,500 | 515,595,300 | 515,757,700 |
| Career Development | | | | | | | | | | | 612,612,300 | 523,454,400 | 530,105,300 |
| Civil Rights | 12,182,200 | 11,941,297 | 11,985,262 | 12,494,268 | 12,382,479 | 14,315,499 | 13,457,887 | 13,232,623 | 13,244,555 | 13,957,360 | 15,623,300 | 15,272,500 | 15,824,800 |
| Civil Service | 23,925,900 | 24,298,767 | 24,124,913 | 27,637,177 | 27,027,675 | 27,954,843 | 30,354,661 | 25,283,585 | 28,206,918 | 29,615,253 | 29,785,500 | 30,405,600 | 30,878,100 |
| Commerce | 287,841,500 | 312,810,800 | 289,294,945 | 295,290,505 | 349,109,486 | 295,836,299 | 193,144,304 | | | | | | |
| Community Health | | | | | | | | 6,982,832,645 | 7,231,164,775 | 7,534,568,089 | 8,174,409,500 | 8,562,877,900 | 8,771,577,200 |
| Consumer and Industry Services | | | | | | | | 456,397,250 | 421,826,111 | 390,437,237 | 498,233,500 | 529,756,600 | 535,631,300 |
| Corrections | 757,370,200 | 806,803,557 | 896,870,029 | 1,004,807,757 | 1,081,670,049 | 1,206,246,823 | 1,296,847,339 | 1,318,192,287 | 1,334,952,759 | 1,453,513,634 | 1,564,019,000 | 1,703,858,400 | 1,757,272,000 |
| Education | 540,615,905 | 602,908,408 | 665,712,237 | 724,539,674 | 675,631,914 | 681,479,871 | 697,957,806 | 713,011,559 | 769,882,208 | 824,722,372 | 922,370,100 | 929,493,300 | 943,470,100 |
| Environmental Quality | | | | | | | 307,805,328 | 193,902,247 | 181,985,762 | 197,727,718 | 473,108,600 | 499,608,800 | 416,556,600 |
| Executive Office | 3,943,100 | 3,631,128 | 4,154,796 | 4,328,918 | 4,286,138 | 4,432,808 | 4,835,017 | 4,741,680 | 5,118,384 | 5,067,702 | 5,425,100 | 5,679,600 | 5,819,900 |
| Family Independence Agency | | | | | | | | 3,495,213,116 | 3,278,954,106 | 3,263,651,087 | 3,803,635,800 | 3,591,822,500 | 3,660,237,700 |
| Higher Education | | | | | | | | | | | | | |
| Community Colleges | 212,490,500 | 189,638,936 | 241,593,632 | 240,000,000 | 240,000,000 | 247,800,000 | 253,009,787 | 262,186,716 | 274,845,576 | 277,907,138 | 297,228,019 | 325,011,700 | 331,196,319 |
| Universities/Financial Aid | 1,197,173,800 | 1,171,068,759 | 1,300,676,638 | 1,315,674,536 | 1,320,163,027 | 1,359,107,568 | 1,413,957,617 | 1,493,857,731 | 1,561,667,022 | 1,608,007,149 | 1,785,959,308 | 1,905,000,600 | 1,956,742,361 |
| Judiciary | 153,347,000 | 152,350,760 | 163,673,611 | 172,557,720 | 195,977,612 | 199,097,762 | 210,601,105 | 187,104,924 | 204,599,850 | 210,076,397 | 231,322,000 | 236,914,000 | 247,990,200 |
| Labor | 441,332,180 | 417,902,689 | 429,019,721 | 334,313,649 | 232,709,576 | 232,528,985 | 274,987,397 | | | | | | |
| Legislature | 75,442,800 | 74,163,022 | 83,126,023 | 83,896,838 | 86,302,513 | 85,242,099 | 88,075,902 | 88,025,315 | 90,234,951 | 96,560,496 | 104,553,500 | 106,420,700 | 113,456,900 |
| Legislative Auditor General | 9,885,000 | 9,928,300 | 10,228,400 | 10,662,617 | 11,930,295 | 12,590,516 | 12,926,954 | 13,056,351 | 12,869,037 | 13,537,569 | 14,343,400 | 15,059,700 | 15,607,400 |
| Library of Michigan | 30,430,700 | 30,790,339 | 28,775,437 | 28,582,023 | 30,706,838 | 32,107,952 | 31,970,662 | 32,763,616 | 35,086,400 | 36,131,970 | 38,977,400 | 39,916,700 | 39,995,600 |
| Licensing and Regulation | 26,165,400 | 26,465,000 | | | | | | | | | | | |
| Management and Budget | 1,223,690,700 | 1,250,529,695 | 1,181,246,023 | 210,778,161 | 104,175,677 | 109,262,119 | 137,469,710 | 143,070,649 | 134,397,354 | 153,180,243 | 178,071,700 | 163,529,800 | 175,936,600 |
| Aging | 60,439,300 | 61,730,880 | 58,834,831 | 60,388,431 | 63,499,462 | 88,180,585 | 94,050,068 | 102,735,110 | | | | | |
| Mental Health | 1,246,380,384 | 1,320,128,986 | 1,304,143,665 | 1,382,593,420 | 1,459,038,492 | 1,522,731,485 | 1,881,660,627 | | | | | | |
| Michigan Biologic Products | | | | | | | | 16,101,428 | 21,796,070 | 216,139 | | | |
| Michigan Jobs Commission | | | | 87,705,389 | 235,983,401 | 280,760,026 | 316,369,029 | 333,585,533 | 356,555,846 | 482,007,744 | | | |
| Michigan Strategic Fund | | | | | | | | | | | 218,917,100 | 169,082,800 | 180,206,000 |
| Military and Veterans Affairs | 23,209,180 | 26,225,756 | 59,074,002 | 62,712,137 | 68,443,597 | 72,015,536 | 77,744,603 | 83,372,837 | 78,980,935 | 90,365,660 | 95,862,000 | 101,172,700 | 102,818,700 |
| Natural Resources | 288,713,572 | 246,756,581 | 333,216,315 | 383,740,573 | 435,286,252 | 515,571,467 | 171,756,943 | 198,582,936 | 210,454,114 | 218,669,725 | 299,982,399 | 269,773,900 | 254,849,200 |
| Public Health | 412,057,300 | 443,394,713 | 431,451,204 | 474,799,000 | 524,217,467 | 601,029,072 | 607,898,745 | | | | | | |
| School Aid | 2,992,824,943 | 3,199,053,338 | 3,137,763,749 | 3,483,755,480 | 4,431,029,987 | 7,975,666,620 | 8,928,001,053 | 8,894,322,580 | 9,405,837,000 | 9,647,919,000 | 10,200,829,300 | 10,932,335,000 | 11,521,053,300 |
| Social Services | 5,097,495,615 | 5,796,196,684 | 5,809,437,907 | 6,522,764,560 | 7,099,482,216 | 7,132,053,217 | 8,212,306,769 | | | | | | |
| State | 117,337,200 | 120,548,314 | 126,066,628 | 125,939,821 | 129,930,177 | 140,320,887 | 146,427,648 | 150,798,841 | 148,645,475 | 158,619,422 | 182,210,500 | 186,385,200 | 191,680,700 |
| State Police | 229,652,392 | 234,417,217 | 253,322,612 | 258,638,227 | 273,300,747 | 291,179,449 | 320,805,032 | 350,427,467 | 347,462,495 | 353,827,271 | 379,514,300 | 405,926,100 | 415,210,800 |
| Transportation | 2,256,650,400 | 2,201,333,700 | 2,270,002,624 | 2,417,624,941 | 2,243,683,593 | 2,395,134,800 | 2,194,045,559 | 2,818,192,757 | 2,520,658,697 | 2,631,185,388 | 2,938,245,700 | 2,978,704,600 | 3,138,667,700 |
| Treasury | 160,742,400 | 220,056,213 | 1,152,163,653 | 2,234,266,528 | 2,395,018,854 | 1,857,817,145 | 1,987,113,970 | 2,049,931,726 | 2,189,911,359 | 2,278,280,379 | 1,801,776,400 | 1,955,912,400 | 2,008,454,300 |
| Debt Service | 48,824,200 | 73,446,930 | 51,217,172 | 55,145,651 | 40,689,662 | 128,023,922 | 142,278,755 | 164,065,122 | 117,140,891 | 116,691,988 | 94,117,500 | 91,570,500 | 111,995,000 |
| TOTALS | 18,321,560,197 | 19,386,930,635 | 20,707,120,732 | 22,375,840,698 | 24,172,550,702 | 27,895,743,851 | 30,650,344,563 | 30,941,451,275 | 31,587,916,001 | 32,653,492,614 | 35,738,595,326 | 36,950,454,000 | 38,154,740,980 |

Historical Expenditures/Appropriations GF/GP

| DEPARTMENTS | FY 90 Expend. | FY 91 Expend. | FY 92 Expend. | FY 93 Expend. | FY 94 Expend. | FY 95 Expend. | FY 96 Expend. | FY 97 Expend. | FY 98 Expend. | FY 99 Expend. | FY 00 Approp. | FY 01 Approp. | FY 02 Rec. |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Agriculture | 30,798,600 | 29,089,750 | 26,043,571 | 25,200,069 | 26,023,343 | 41,507,294 | 43,441,799 | 36,977,547 | 34,215,715 | 39,633,018 | 62,633,900 | 47,029,800 | 48,076,200 |
| Attorney General | 23,557,000 | 22,272,296 | 23,715,728 | 24,645,982 | 25,731,152 | 26,911,995 | 28,146,412 | 28,728,101 | 28,740,351 | 30,443,940 | 32,078,800 | 35,271,000 | 38,097,900 |
| Capital Outlay | 183,663,345 | 187,937,919 | 155,374,616 | 159,576,448 | 203,890,424 | 185,627,808 | 190,278,423 | 204,098,457 | 257,953,893 | 329,379,869 | 399,235,300 | 312,815,100 | 347,666,700 |
| Career Development | | | | | | | | | | | 41,639,200 | 25,458,600 | 36,538,400 |
| Civil Rights | 10,890,200 | 10,272,486 | 10,214,935 | 11,038,369 | 10,600,820 | 12,712,217 | 11,992,187 | 11,750,247 | 11,975,385 | 12,704,328 | 14,739,300 | 14,338,500 | 14,890,800 |
| Civil Service | 13,528,000 | 13,937,855 | 10,996,513 | 11,749,312 | 10,813,028 | 10,621,489 | 12,852,378 | 12,611,237 | 13,181,110 | 15,248,222 | 11,997,200 | 11,218,900 | 11,446,100 |
| Commerce | 110,206,516 | 89,144,643 | 62,194,902 | 60,530,700 | 55,089,586 | 56,613,455 | 29,106,436 | | | | | | |
| Community Health | | | | | | | | 2,489,426,814 | 2,435,154,320 | 2,561,333,736 | 2,639,994,000 | 2,686,991,200 | 2,729,424,800 |
| Consumer and Industry Services | | | | | | | | 63,702,550 | 75,721,087 | 69,255,350 | 80,857,500 | 83,762,300 | 85,376,800 |
| Corrections | 732,154,600 | 784,623,528 | 870,517,968 | 974,383,562 | 1,052,962,753 | 1,176,825,208 | 1,260,365,194 | 1,277,460,254 | 1,268,613,426 | 1,375,072,599 | 1,482,956,300 | 1,619,600,500 | 1,674,940,500 |
| Education | 50,766,970 | 50,159,451 | 32,826,318 | 43,697,518 | 36,107,369 | 38,783,018 | 47,483,089 | 45,073,591 | 45,909,895 | 49,230,423 | 39,787,000 | 34,678,700 | 34,649,500 |
| Environmental Quality | | | | | | | | 43,802,958 | 54,796,726 | 58,544,973 | 63,141,194 | 96,296,400 | 99,906,200 |
| Executive Office | 3,943,100 | 3,631,128 | 4,154,796 | 4,328,918 | 4,286,138 | 4,432,808 | 4,835,017 | 4,741,680 | 5,118,384 | 5,067,702 | 5,425,100 | 5,679,600 | 5,819,900 |
| Family Independence Agency | | | | | | | | 1,116,206,920 | 1,031,605,019 | 1,128,549,036 | 1,169,287,900 | 1,216,997,500 | 1,199,738,500 |
| Higher Education | | | | | | | | | | | | | |
| Community Colleges | 212,490,500 | 189,638,936 | 241,593,632 | 240,000,000 | 240,000,000 | 247,800,000 | 253,009,787 | 262,186,716 | 274,845,576 | 277,907,138 | 297,228,019 | 315,011,719 | 321,196,319 |
| Universities/Financial Aid | 1,193,518,700 | 1,167,699,912 | 1,297,028,960 | 1,311,796,990 | 1,316,593,215 | 1,354,883,384 | 1,410,091,564 | 1,491,455,863 | 1,558,484,506 | 1,605,499,417 | 1,679,309,308 | 1,785,850,608 | 1,821,568,516 |
| Judiciary | 111,835,200 | 108,010,363 | 114,591,806 | 120,322,652 | 123,161,004 | 127,670,370 | 134,920,282 | 141,946,079 | 147,156,019 | 154,116,508 | 165,882,900 | 170,316,800 | 181,764,200 |
| Labor | 75,660,885 | 52,434,798 | 34,264,409 | 30,842,500 | 29,404,187 | 29,935,652 | 26,278,836 | | | | | | |
| Legislature | 74,401,000 | 72,962,102 | 81,283,852 | 82,201,731 | 85,129,779 | 83,429,886 | 87,443,092 | 87,449,913 | 89,687,113 | 95,852,029 | 103,111,700 | 104,978,900 | 112,015,100 |
| Legislative Auditor General | 8,655,100 | 8,471,200 | 8,710,700 | 8,830,224 | 10,130,116 | 10,496,901 | 10,915,285 | 10,749,956 | 10,924,847 | 11,807,717 | 12,522,500 | 13,183,500 | 13,731,200 |
| Library of Michigan | 26,497,900 | 23,904,895 | 24,480,294 | 24,751,231 | 25,647,977 | 27,222,584 | 26,817,219 | 27,530,263 | 29,123,342 | 30,245,359 | 34,258,100 | 35,197,400 | 35,276,300 |
| Licensing and Regulation | 11,134,881 | 11,849,800 | | | | | | | | | | | |
| Management and Budget | 50,549,100 | 51,951,631 | 28,874,226 | 32,310,561 | 29,384,442 | 32,530,866 | 51,872,600 | 55,682,772 | 47,683,349 | 49,797,993 | 80,448,000 | 46,960,800 | 47,119,500 |
| Aging | 23,474,900 | 21,080,813 | 17,755,839 | 17,933,831 | 20,043,155 | 22,962,734 | 23,350,103 | 24,782,646 | | | | | |
| Mental Health | 905,751,589 | 934,325,306 | 849,167,049 | 911,051,398 | 967,232,805 | 666,682,724 | 1,074,733,387 | | | | | | |
| Michigan Biologic Products | | | | | | | | 16,030 | | | | | |
| Michigan Jobs Commission | | | | 1,032,715 | 14,606,768 | 33,697,834 | 81,620,151 | 99,573,779 | 107,076,910 | 148,975,478 | | | |
| Michigan Strategic Fund | | | | | | | | | | | 114,907,200 | 65,602,900 | 66,271,600 |
| Military and Veterans Affairs | 12,269,754 | 14,689,670 | 26,544,986 | 31,050,576 | 32,832,674 | 34,151,401 | 34,763,836 | 38,616,432 | 34,930,121 | 39,199,596 | 40,600,500 | 41,856,900 | 42,784,800 |
| Natural Resources | 135,121,951 | 104,667,569 | 97,337,677 | 93,105,133 | 103,914,404 | 188,233,744 | 52,633,781 | 48,809,945 | 50,465,267 | 48,785,001 | 77,745,000 | 55,958,600 | 56,220,400 |
| Public Health | 147,716,800 | 145,770,346 | 133,453,356 | 138,948,296 | 152,185,326 | 180,077,681 | 181,656,107 | | | | | | |
| School Aid | 749,134,100 | 967,052,014 | 849,491,226 | 1,086,223,027 | 709,557,837 | 664,914,900 | 596,352,000 | 277,947,800 | 375,967,757 | 419,597,281 | 420,613,500 | 385,613,500 | 205,613,500 |
| Social Services | 2,603,816,358 | 2,378,115,326 | 2,086,078,906 | 2,052,204,164 | 2,103,824,477 | 2,163,749,837 | 2,373,218,724 | | | | | | |
| State | 15,954,100 | 16,677,092 | 16,550,181 | 13,646,700 | 15,093,600 | 17,375,557 | 17,554,682 | 21,679,651 | 58,564,938 | 62,396,584 | 60,784,200 | 65,130,200 | 67,904,200 |
| State Police | 185,279,819 | 187,846,345 | 201,315,020 | 204,068,831 | 210,130,058 | 228,661,359 | 246,496,416 | 265,080,734 | 246,395,418 | 261,544,659 | 278,938,900 | 301,563,400 | 307,922,200 |
| Transportation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Treasury | 51,678,000 | 53,504,720 | 50,171,257 | 52,106,999 | 64,313,215 | 41,993,914 | 71,336,726 | 57,509,123 | 59,341,217 | 27,321,315 | 70,998,400 | 69,450,200 | 64,103,100 |
| Debt Service | 48,824,200 | 73,446,930 | 51,217,172 | 55,145,651 | 40,689,662 | 128,023,922 | 141,845,223 | 163,367,000 | 116,440,891 | 115,964,014 | 93,417,500 | 90,870,500 | 111,295,000 |
| TOTALS | 7,803,273,168 | 7,775,168,824 | 7,405,949,895 | 7,822,724,088 | 7,719,379,314 | 7,838,530,542 | 8,569,213,695 | 8,419,958,828 | 8,473,820,829 | 9,028,069,506 | 9,607,693,627 | 9,741,293,827 | 9,784,627,335 |

Consensus Economic Outlook

At the January 11, 2001, Consensus Revenue Estimating Conference, representatives of the Administration, House Fiscal Agency, and Senate Fiscal Agency reached a consensus agreement on the U.S. and Michigan economic outlook through 2002 and State of Michigan revenues through fiscal year 2002. The following summarizes the consensus economic forecast. This is a summary of the Consensus Revenue Estimating final report. The full report can be viewed at our Internet Web site <http://www.treas.state.mi.us/revedata/FinalReportCRECJan01.pdf>.

2000 U.S. Economic Review

The U.S. economy performed exceptionally well in 2000 as the current economic expansion became the longest economic expansion in U.S. history. Real gross domestic product (GDP) grew an estimated 5.0 percent, marking the fourth consecutive year that real GDP growth exceeded 4.0 percent. All economic data and forecasts are for calendar years and calendar year 2000 figures are estimates.

Consumption and investment continued to play key roles in the current expansion. In 2000, real consumption grew 5.2 percent, marking the third consecutive year of growth above 4.5 percent. With an estimated 17.2 million units sold, light vehicle sales eclipsed the prior sales record of 16.8 million just set in 1999. Housing starts totaled 1.6 million units. Real business fixed investment grew 13.0 percent, marking the fifth straight year of growth at or above 10.0 percent. The rapid investment boosted labor productivity, which grew at its fastest pace in over 15 years.

While economic growth for 2000 was strong, several factors slowed the growth rate substantially in the second half of the year including higher interest rates, higher energy prices, volatile and declining stock market values, and slowing economic growth abroad.

To stem inflationary pressures, the Federal Reserve Federal Open Market Committee increased the target federal funds rate by 1.75 percentage points between June 1999 and May 2000 to 6.5 percent. In addition, banks tightened their lending standards. Higher rates and tighter borrowing conditions slowed borrowing and thus consumer durable and investment demand.

Energy prices rose sharply in 2000, which raised business costs and curtailed manufacturing production. Similarly, higher energy prices reduced consumers' discretionary income and slowed consumption growth. Higher energy prices pushed consumer inflation to an estimated 3.4 percent, up substantially from 2.2 percent in 1999. Excluding the volatile food and energy prices, prices rose 2.4 percent, only slightly higher than in 1998 and 1999.

Volatile and declining stock market values eroded both consumer wealth and consumer confidence. As a result, consumption growth slowed over the second half of 2000. Economic growth abroad, which rose sharply over the first half of 2000, moderated substantially over the second half of the year.

By the end of the year, numerous economic data pointed toward slower U.S. economic growth. The National Association of Purchasing Manager's index of industrial activity fell below 50 in August, indicating a contracting manufacturing sector. Numerous companies announced plans for substantial employment reductions. In December, the University of Michigan's index of consumer sentiment reported its fourth largest monthly decline.

Michigan Economic Review

The Michigan economy continued to grow in 2000. Michigan employment estimated at 4.6 million rose to a new record level for the ninth consecutive year. Labor supply constraints in the service sector, coupled with declines in the manufacturing sector, slowed wage and salary job growth to 0.9 percent in 2000. Michigan's unemployment rate fell to an estimated 3.4 percent, the lowest annual unemployment rate since 1966. Michigan's unemployment rate has now been below the U.S. unemployment rate for seven consecutive years. Inflation, measured by the Detroit CPI, increased 3.6 percent in 2000.

Michigan reported strong personal income growth in 2000 with an estimated 6.1 percent increase compared to 5.3 percent growth in 1999. Wage and salary income grew 5.8 percent, matching 1999 growth.

As the U.S. economy slowed over the second half of 2000, so did Michigan. After growing at a 1.7 percent annual rate over the first half of 2000, Michigan employment declined slightly over the second half. Similarly, real Michigan personal income grew at a 4.1 percent annual rate over the first half of 2000, but declined slightly over the balance of the year.

2001 and 2002 Consensus U.S. Economic Outlook

The January 11, 2001, Consensus Revenue Estimating Conference consensus projects that the U.S. economy will continue to grow in 2001, but at a more moderate pace compared with recent years. Real GDP growth is forecast to slow substantially from 5.0 percent growth in 2000 to 2.5 percent in 2001. Both investment growth and consumption growth will slow.

In response to weakening economic conditions, the Federal Reserve cut the target federal funds and discount rate by 50 basis points in early January. Seeking to halt declining growth and avert recession, the Federal Reserve is expected to cut the target federal funds and discount rate by an additional 50 basis points in early 2001. The 90-day Treasury bill rate is forecast to average 5.1 percent in 2001 and 5.2 percent in 2002. The Aaa corporate bond rate is expected to average 7.0 percent in both 2001 and 2002. The federal government is expected to begin implementing a sizeable tax cut in 2001.

The economy is expected to accelerate to 4.3 percent growth in 2002 as a result of several factors including the delayed impact of the Federal Reserve interest rate cuts, federal tax cuts, lower energy prices and rising stock market values. Seeking to forestall higher inflation, the Federal Reserve is predicted to increase the target federal funds rate 25 basis points in mid 2002.

In 2001, light vehicle sales are forecast to decline to 15.9 million units, below the record 2000 sales but still at historically high levels. Light vehicle sales are then expected to rebound to 16.4 million units in 2002. Housing starts are expected to total 1.6 million units in both 2001 and 2002. The U.S. unemployment rate is forecast to rise from 4.0 percent to 4.5 percent in 2001 before falling slightly to 4.4 percent in 2002.

The international trade sector will continue to be a drag on U.S. economic growth over the forecast horizon. However, net exports will fall less sharply than in recent years. Real net exports are expected to decline from -\$410.9 billion to -\$428.2 billion in 2001 and -\$452.7 billion in 2002. The two-year projected net export decline of about \$40 billion is only about 1/5 of the estimated \$190 billion net export decline between 1998 and 2000.

Consumer prices, as measured by the U.S. consumer price index, are forecast to rise 2.7 percent in 2001 and 2.8 percent in 2002 as energy prices moderate. Excluding food and energy, inflation is expected to average 2.2 percent over the next two years.

2001 and 2002 Consensus Michigan Economic Outlook

The January 11, 2001 Consensus Revenue Estimating Conference forecast projects that in 2001 Michigan wage and salary employment will decline slightly by 14,000 (-0.3 percent) because of a slowing U.S. economy, a contracting manufacturing sector, and employment reductions at major Michigan employers, including auto companies. In 2002, employment growth is forecast to accelerate to 1.0 percent with Michigan employment rising by 45,000.

Michigan wage and salary income growth is expected to slow from 5.8 percent in 2000 to 3.1 percent in 2001, and then rebound to 5.6 percent in 2002. Inflation remains moderate at 2.8 percent in 2001 and 2.9 percent in 2002. Real, adjusted for inflation, personal income is forecast to grow 0.6 percent in 2001 before accelerating to 2.3 percent growth in 2002.

Forecast Risks

Several issues pose downside risks to the baseline forecast. Higher energy prices or lower productivity growth could spur higher inflation. The higher inflation could spur the Federal Reserve to increase interest rates, which would slow economic growth, particularly in interest rate sensitive areas, such as housing and consumer durables. Higher energy prices would also increase production costs, which could curtail production and lower profits. Higher energy prices would also reduce consumers' discretionary income and thus slow consumption growth.

Several factors, including higher energy prices, declining or more volatile stock market values and higher unemployment could erode consumer confidence. In addition, high debt balances, low savings rate, and tight lending standards will also constrain consumer spending. Lower growth abroad could increase the trade deficit further and slow economic growth below baseline.

Consensus Revenue Estimates

Fiscal Year 2000 Revenue

Michigan experienced strong revenue growth in FY 2000 as a result of the state's strong economic performance. Preliminary fiscal year totals for net general fund-general purpose (GF-GP) revenue show an increase of 3.6 percent over FY 1999 to \$9,807.1 million. Preliminary FY 2000 School Aid Fund (SAF) revenue totals \$9,889.2 million, representing 6.2 percent growth over FY 1999. Combined GF-GP and SAF revenue grew by 4.9 percent to \$19,696.3 million. The figures in this FY 2002 *Executive Budget* reflect all enacted tax cuts and preliminary year-end book-closing adjustments.

Fiscal Year 2001 and Fiscal Year 2002 Revenue Estimates

On January 11, 2001, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenues for FY 2001 and FY 2002. Agreement was reached on baseline revenue forecasts and the impact of tax cuts. These revenue estimates are used for the Governor's *Executive Budget*. Revenues will be reviewed again in May before the final budget bills are passed by the Legislature. The Consensus economic forecast calls for economic growth to slow sharply in FY 2001 followed by a strong rebound in FY 2002. This pattern is also reflected in the revenue estimates.

For FY 2001, baseline GF-GP revenue is estimated to increase by 2.2 percent to \$10,053.1 million. Baseline SAF revenue is forecast to be \$10,199.5 million, a 3.1 percent increase over FY 2000. The *Executive Budget* presents baseline revenue estimates and tax cut adjustments separately. After all tax cuts are factored in, net GF-GP revenue is expected to decline by 1.9 percent to \$9,619.6 million and net SAF revenue is expected to increase by 3.0 percent to \$10,185.1 million.

Baseline FY 2002 GF-GP revenue is estimated to be \$10,590.8 million, a 5.4 percent increase over FY 2001. After all tax cuts are factored in, net GF-GP revenue is expected to increase 1.7 percent to \$9,784.7 million. Baseline FY 2002 SAF revenue is forecast to be \$10,715.2 million, a 5.1 percent increase over FY 2001. After all tax cut adjustments are factored in, net SAF revenue is expected to increase 4.9 percent to \$10,678.6 million.

Overall FY 2002 Revenue

Total revenue for all funds is estimated to be \$38.0 billion. Table L-1 presents a summary of revenues by fund. The Detailed Statement of General and Special Revenue Funds presents information for FY 1999 through FY 2002.

Projected Revenues
FY 2001 - 2002
(millions)

| | <u>FY 2001 - 2002</u> |
|---|------------------------------|
| General Fund - General Purpose | |
| Consensus Estimate | \$ 9,784.7 |
| School Aid Fund | |
| Consensus Estimate | 10,678.6 |
| Transfers and Federal Aid | <u>382.6</u> |
| Total SAF Revenue | 11,061.2 |
| Transportation Funds | 4,257.4 |
| General Fund - Special Purpose | 12,277.2 |
| Special Revenue Funds | <u>945.2</u> |
| Sub-Total All Funds | 38,325.7 |
| Other Revenue Sources | <u>1,040.3</u> |
| Gross Total All Resources | 39,366.0 |
| Less Interfund Transfers | <u><u>(1,396.8)</u></u> |
| Net Total All Resources | \$ 37,969.2 |

Office of Revenue and Tax Analysis
Michigan Department of Treasury
January 2001

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|---|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| GENERAL FUND - GENERAL PURPOSE REVENUE | | | | |
| TAXES | | | | |
| Individual Income ⁽¹⁾ | 6,219,435,748 | 6,436,299,494 | 6,682,100,000 | 7,074,400,000 |
| Less: Refunds | (1,163,925,054) | (1,243,277,650) | (1,285,000,000) | (1,336,000,000) |
| Net Individual Income | 5,055,510,694 | 5,193,021,844 | 5,397,100,000 | 5,738,400,000 |
| Single Business | 2,283,959,571 | 2,324,375,702 | 2,410,000,000 | 2,520,000,000 |
| Sales ⁽²⁾ | 133,021,494 | 151,495,744 | 113,500,000 | 131,400,000 |
| Use | 854,621,209 | 896,472,027 | 940,500,000 | 991,400,000 |
| Insurance Company Premium Retaliatory | 133,679,813 | 191,942,634 | 198,000,000 | 213,000,000 |
| Cigarette Excise ⁽³⁾ | 152,011,985 | 148,842,510 | 146,000,000 | 143,200,000 |
| Utility Property | 155,918,403 | 154,882,396 | 156,700,000 | 159,700,000 |
| Penalties and Interest | 143,796,644 | 137,797,034 | 139,000,000 | 140,000,000 |
| Intangibles ⁽⁶⁾ | 568,464 | 326,169 | 0 | 0 |
| Estate / Inheritance | 174,882,922 | 177,400,552 | 190,000,000 | 200,000,000 |
| Beer and Wine Excise | 47,810,604 | 50,036,123 | 50,800,000 | 51,200,000 |
| Oil and Gas Severance | 23,383,307 | 43,885,582 | 46,000,000 | 44,000,000 |
| Liquor Specific ⁽⁴⁾ | 26,137,396 | 28,067,155 | 28,200,000 | 28,200,000 |
| Other | (1,995,651) | (3,082,908) | 0 | 0 |
| Enhanced Enforcement and ACS ⁽⁵⁾ | (73,279,445) | (72,838,269) | (74,000,000) | (75,000,000) |
| TOTAL GF - GP TAXES | 9,110,027,408 | 9,422,624,294 | 9,741,800,000 | 10,285,500,000 |

⁽¹⁾ See also Special Purpose Revenue.

⁽²⁾ See Special Purpose Revenue, School Aid Fund, and Comprehensive Transportation Fund.

⁽³⁾ See also Special Purpose Revenue and School Aid Fund.

⁽⁴⁾ See also School Aid Fund.

⁽⁵⁾ Restricted revenues supporting Treasury collection activities are shown here as negatives.

⁽⁶⁾ Baseline revenue before phase-out.

The taxes are shown at the level generated by economics and normal refunds.

Prepared by Office of Revenue and Tax Analysis, Michigan Department of Treasury

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|---|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| GENERAL FUND - GENERAL PURPOSE REVENUE | | | | |
| NON-TAX REVENUE | | | | |
| Federal Aid | 80,625,799 | 33,038,150 | 50,000,000 | 50,000,000 |
| Local Agencies | 36,040,476 | 1,805,605 | 1,300,000 | 1,300,000 |
| Services | 8,710,556 | 6,389,525 | 6,000,000 | 6,000,000 |
| Licenses & Permits | 26,872,789 | 28,605,934 | 25,000,000 | 25,000,000 |
| Miscellaneous | 60,250,333 | 61,468,116 | 55,000,000 | 55,000,000 |
| Interest and Investment Profits | 13,170,941 | 63,306,019 | 23,000,000 | 17,000,000 |
| TOTAL GF - GP NON-TAX REVENUE | 225,670,893 | 194,613,349 | 160,300,000 | 154,300,000 |
| TRANSFERS FROM OUTSIDE GF & SR FUNDS | | | | |
| Other Interfund Transfers Received (School Bond Loan) | 77,543,900 | 86,034,548 | 0 | 0 |
| Liquor Purchase Revolving Fund | 105,346,643 | 119,650,324 | 110,000,000 | 110,000,000 |
| Transfers From Lottery Charitable Gaming and Other Funds | 7,342,332 | 7,018,771 | 7,000,000 | 7,000,000 |
| Unclaimed and Abandoned Property | 41,538,774 | 40,182,611 | 34,000,000 | 34,000,000 |
| TOTAL GF - GP TRANSFERS | 231,771,649 | 252,886,254 | 151,000,000 | 151,000,000 |
| General Fund - General Purpose Summary | | | | |
| GF - GP Tax Revenue | 9,110,027,408 | 9,422,624,294 | 9,741,800,000 | 10,285,500,000 |
| GF - GP Non-Tax Revenue | 225,670,893 | 194,613,349 | 160,300,000 | 154,300,000 |
| GF - GP Transfers | 231,771,649 | 252,886,254 | 151,000,000 | 151,000,000 |
| TOTAL GENERAL FUND-GENERAL PURPOSE | 9,567,469,949 | 9,870,123,897 | 10,053,100,000 | 10,590,800,000 |
| LESS: Tax Cuts and Other Adjustments | 0 | 0 | (433,500,000) | (806,100,000) |
| TOTAL GENERAL FUND-GENERAL PURPOSE before Interfund Transfers | 9,567,469,949 | 9,870,123,897 | 9,619,600,000 | 9,784,700,000 |
| LESS: Interfund Transfers | (77,543,900) | (86,034,548) | 0 | 0 |
| NET TOTAL GENERAL FUND-GENERAL PURPOSE | 9,489,926,049 | 9,784,089,349 | 9,619,600,000 | 9,784,700,000 |
| Excluding inter-fund transfers to GF-GP | | | | |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|--|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| GENERAL FUND-SPECIAL PURPOSE REVENUE | | | | |
| TAXES | | | | |
| Airport Parking | 15,885,951 | 18,756,701 | 16,000,000 | 16,000,000 |
| Cigarette - Health & Safety Fund & Local Health Depts. | 31,835,536 | 31,488,950 | 30,480,000 | 29,850,000 |
| Cigarette - Healthy Michigan | 36,907,761 | 36,228,342 | 35,448,000 | 34,734,000 |
| Commercial Mobile Radio Service | 0 | 12,302,663 | 16,000,000 | 16,000,000 |
| Horse Race Wagering | 13,286,262 | 13,493,267 | 13,000,000 | 13,000,000 |
| Individual Income Tax Campaign Fund | 1,288,096 | 1,185,531 | 1,200,000 | 1,200,000 |
| Income Tax Credit Expenditure | 486,100,000 | 475,100,000 | 0 | 0 |
| Sales Tax Revenue Sharing | 1,395,001,748 | 1,470,138,395 | 1,570,000,000 | 1,655,000,000 |
| Sales Tax-Health Initiative | 9,000,000 | 9,000,000 | 8,985,000 | 8,985,000 |
| Use Tax Prescription Drug Credit | 17,988 | 6,007,801 | 6,000,000 | 2,000,000 |
| Convention Facilities Development | 43,400,168 | 47,090,250 | 47,000,000 | 48,000,000 |
| Various Tax Out-of-Period Refunds | 147,677,647 | 18,961,149 | 1,632,000 | 1,634,000 |
| Enhanced Enforcement and ACS | 73,279,445 | 72,838,269 | 74,000,000 | 75,000,000 |
| TOTAL GF - SP TAXES | 2,253,680,601 | 2,212,591,319 | 1,819,745,000 | 1,901,403,000 |
| NON-TAX REVENUE | | | | |
| Local Agencies | 125,424,548 | 126,267,533 | 101,991,000 | 108,971,000 |
| Special Medicaid Reimbursement | 656,165,774 | 1,059,343,027 | 888,216,000 | 822,121,000 |
| Services | 103,988,164 | 103,207,106 | 118,449,000 | 119,747,000 |
| Licenses & Permits | 187,133,793 | 194,445,370 | 224,856,000 | 230,546,000 |
| Miscellaneous | 304,514,005 | 344,176,614 | 380,316,000 | 365,227,000 |
| Transfers From Other Funds | 110,306,988 | 111,166,724 | 108,415,000 | 110,352,000 |
| TOTAL GF - SP NON-TAX REVENUE | 1,487,533,273 | 1,938,606,374 | 1,822,243,000 | 1,756,964,000 |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|--|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| | 01/29/01 | | | |
| GENERAL FUND-SPECIAL PURPOSE REVENUE | | | | |
| FEDERAL AID NOT ELSEWHERE ITEMIZED: | | | | |
| Federal Aid: Agriculture | 3,063,262 | 3,884,565 | 7,074,000 | 5,806,000 |
| Federal Aid: Attorney General | 3,033,828 | 3,422,784 | 7,325,000 | 7,625,000 |
| Federal Aid: Capital Outlay excluding Transportation | 3,510,657 | 1,606,630 | 6,710,000 | 2,760,000 |
| Federal Aid: Career Development | 300,017,127 | 294,573,766 | 379,986,000 | 395,332,000 |
| Federal Aid: Civil Rights | 1,253,033 | 481,320 | 934,000 | 934,000 |
| Federal Aid: Civil Service | 1,389,690 | 3,483,237 | 4,779,000 | 4,779,000 |
| Federal Aid: Community Health / Biologics | 3,755,269,838 | 4,205,689,490 | 4,461,470,000 | 4,614,180,000 |
| Federal Aid: Consumer and Industry Services | 29,994,720 | 36,480,130 | 58,036,000 | 60,331,000 |
| Federal Aid: Corrections | 14,695,394 | 18,699,860 | 27,580,000 | 26,530,000 |
| Federal Aid: Education | 752,972,319 | 790,729,064 | 841,020,000 | 890,030,000 |
| Federal Aid: Environmental Quality | 28,866,479 | 33,262,364 | 97,620,000 | 89,570,000 |
| Federal Aid: Family Independence Agency | 1,976,196,487 | 2,033,437,256 | 2,168,733,000 | 2,306,346,000 |
| Federal Aid: Higher Education Grants | 2,507,732 | 2,494,234 | 3,900,000 | 4,900,000 |
| Federal Aid: Judiciary | 1,362,823 | 2,038,970 | 3,344,000 | 3,363,000 |
| Federal Aid: Library of Michigan | 5,636,119 | 4,533,154 | 4,633,000 | 4,633,000 |
| Federal Aid: Management and Budget | 3,628,639 | 855,622 | 651,000 | 380,000 |
| Federal Aid: Michigan Strategic Fund Agency | n.a. | n.a. | 59,673,000 | 63,070,000 |
| Federal Aid: Military Affairs | 29,989,278 | 34,325,290 | 36,059,000 | 36,188,000 |
| Federal Aid: Natural Resources | 19,515,180 | 20,560,850 | 25,082,000 | 27,073,000 |
| Federal Aid: State | 749,529 | 617,890 | 2,472,000 | 3,289,000 |
| Federal Aid: State Police | 33,446,887 | 30,799,885 | 36,197,000 | 38,251,000 |
| Federal Aid: Treasury | 750,000 | 22,631,538 | 23,500,000 | 33,490,000 |
| TOTAL FEDERAL AID excluding Transportation | 6,967,849,022 | 7,544,607,898 | 8,256,778,000 | 8,618,860,000 |
| General Fund - Special Purpose Summary | | | | |
| GF - SP Tax Revenue | 2,253,680,601 | 2,212,591,319 | 1,819,745,000 | 1,901,403,000 |
| GF - SP Non-Tax Revenue | 1,487,533,273 | 1,938,606,374 | 1,822,243,000 | 1,756,964,000 |
| GF - SP Federal Aid | 6,967,849,022 | 7,544,607,898 | 8,256,778,000 | 8,618,860,000 |
| TOTAL GENERAL FUND-SPECIAL PURPOSE | 10,709,062,896 | 11,695,805,591 | 11,898,766,000 | 12,277,227,000 |
| LESS: Interfund Transfers | (110,306,988) | (111,166,724) | (108,415,000) | (110,352,000) |
| NET TOTAL GENERAL FUND-SPECIAL PURPOSE | 10,598,755,907 | 11,584,638,866 | 11,790,351,000 | 12,166,875,000 |
| Excluding inter-fund transfers to GF-SP | | | | |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|--|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| SCHOOL AID FUND REVENUE | | | | |
| TAXES and LOTTERY | | | | |
| Sales Tax | 4,301,457,661 | 4,577,160,514 | 4,736,000,000 | 5,017,600,000 |
| Use Tax | 427,505,677 | 452,870,715 | 473,300,000 | 496,700,000 |
| Income Tax Earmarking | 1,848,120,728 | 1,968,377,491 | 2,041,700,000 | 2,161,500,000 |
| State Education Tax | 1,273,458,503 | 1,381,420,280 | 1,453,000,000 | 1,540,000,000 |
| Real Estate Transfer Tax | 261,696,410 | 257,092,882 | 255,000,000 | 265,000,000 |
| Cigarette Excise Tax | 380,912,838 | 372,845,476 | 365,800,000 | 358,800,000 |
| Other Tobacco Products Tax | 13,461,220 | 14,806,240 | 14,800,000 | 14,800,000 |
| Industrial & Commercial Facilities Tax | 136,450,354 | 152,499,786 | 154,000,000 | 158,000,000 |
| Liquor Excise Tax | 25,434,147 | 27,233,401 | 28,200,000 | 28,200,000 |
| Other Specific Taxes | 14,223,903 | 13,370,157 | 13,700,000 | 13,700,000 |
| Sub-Total SAF Taxes | 8,682,721,441 | 9,217,676,941 | 9,535,500,000 | 10,054,300,000 |
| NON-TAX REVENUE | | | | |
| Transfer from Lottery Ticket Sales | 621,131,480 | 618,513,554 | 609,000,000 | 604,000,000 |
| Casino Wagering Tax | 5,992,139 | 53,144,652 | 55,000,000 | 57,000,000 |
| Federal Aid | 106,822,778 | 121,550,234 | 145,000,000 | 145,000,000 |
| Transfer from Counter-Cyclical Budget & Economic Stabilization | 72,557,252 | 32,000,000 | 32,000,000 | 32,000,000 |
| Transfer from General Fund | 420,740,030 | 420,113,853 | 385,600,000 | 205,600,000 |
| Recovery of Prior Year State Aid and Receivables | 39,703,193 | 16,338,186 | 0 | 0 |
| Sub-Total SAF Other Source Revenues | 1,266,946,872 | 1,261,660,478 | 1,226,600,000 | 1,043,600,000 |
| TOTAL SCHOOL AID FUND | 9,949,668,313 | 10,479,337,419 | 10,762,100,000 | 11,097,900,000 |
| LESS: Tax Cuts and Other Adjustments | 0 | 0 | (14,400,000) | (36,700,000) |
| TOTAL SCHOOL AID FUND before Interfund Transfers | 9,949,668,313 | 10,479,337,419 | 10,747,700,000 | 11,061,200,000 |
| LESS: Interfund Transfers | (493,297,282) | (452,113,853) | (417,600,000) | (237,600,000) |
| NET TOTAL SCHOOL AID FUND | 9,456,371,031 | 10,027,223,566 | 10,330,100,000 | 10,823,600,000 |
| Excluding inter-fund transfers to School Aid Fund | | | | |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|---|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| | 01/29/01 | | | |
| SPECIAL REVENUE FUNDS | | | | |
| Casino Gaming | 10,777,090 | 19,546,291 | 26,667,000 | 26,637,000 |
| Counter-Cyclical Budget & Economic Stabilization ⁽⁸⁾ | 295,647,271 | 173,950,612 | 72,000,000 | 72,000,000 |
| Civilian Conservation Corps Endowment ⁽⁷⁾ | 1,148,724 | 1,373,809 | 1,199,000 | 1,297,000 |
| Children's Trust ⁽⁸⁾ | 1,795,148 | 15,814,059 | 1,200,000 | 1,200,000 |
| Construction Code | 9,095,182 | 8,916,247 | 10,760,000 | 10,169,000 |
| Forest Development ⁽⁸⁾ | 18,565,206 | 24,290,033 | 20,500,000 | 22,708,000 |
| Construction Lien | 4,347,413 | 644,457 | 525,000 | 545,000 |
| Employment Security Administration ⁽⁸⁾ | 149,087,644 | 156,598,006 | 167,890,000 | 169,659,000 |
| Game and Fish Protection ⁽⁸⁾ | 54,975,008 | 60,226,591 | 54,621,000 | 56,389,000 |
| Game and Fish Protection Trust | 8,228,619 | 13,244,858 | 10,400,000 | 10,395,000 |
| Workplace Health and Safety | 1,197,743 | 944,371 | 0 | 0 |
| Marine Safety Trust | 6,202,822 | 5,314,488 | 5,113,000 | 5,399,000 |
| Merit Award Trust | 32,235,274 | 77,528,069 | 134,500,000 | 254,200,000 |
| MI Underground Storage Tank Financial Assistance | 68,582,246 | 66,953,391 | 61,040,000 | 61,035,000 |
| Natural Resources Trust | 35,098,290 | 54,162,319 | 48,960,000 | 48,100,000 |
| Nongame Fish and Wildlife | 978,879 | 3,282,182 | 820,000 | 881,000 |
| State Park Endowment ⁽⁷⁾ | 12,680,391 | 16,113,066 | 18,210,000 | 17,772,000 |
| State Park Improvement ⁽⁸⁾ | 29,248,923 | 28,930,634 | 28,053,000 | 28,905,000 |
| Safety, Education & Training | 5,057,552 | 5,280,353 | 4,336,000 | 4,441,000 |
| Tobacco Settlement Trust | 75,215,640 | 181,418,413 | 136,100,000 | 86,900,000 |
| Veterans Trust | 1,224,105 | 3,317,902 | 3,350,000 | 3,350,000 |
| Michigan State Waterways ⁽⁸⁾ | 25,123,606 | 25,866,285 | 23,745,000 | 23,745,000 |
| Bottle Deposits | 29,930,325 | 41,480,004 | 47,896,000 | 39,431,000 |
| TOTAL SPECIAL REVENUE FUNDS | 876,443,102 | 985,196,439 | 877,885,000 | 945,158,000 |
| LESS: Interfund Transfers | (310,403,861) | (174,622,891) | (51,584,000) | (51,675,000) |
| NET TOTAL SPECIAL REVENUE FUNDS | 566,039,241 | 810,573,548 | 826,301,000 | 893,483,000 |

Excluding inter-fund transfers to Special Revenue Funds

⁽⁷⁾ Funded from proceeds of Accident Fund

⁽⁸⁾ Includes Transfers in.

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|--|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| TRANSPORTATION: AERONAUTICS FUND 114 | | | | |
| Aviation Fuel Tax | 8,389,628 | 7,732,150 | 7,850,000 | 8,050,000 |
| Federal Aid | 51,099,867 | 58,507,956 | 88,976,000 | 93,103,000 |
| Local Agencies | 12,730,520 | 11,158,822 | 17,041,000 | 13,841,000 |
| Transfers and Other | 2,008,603 | 16,418,716 | 1,537,000 | 1,369,000 |
| TOTAL AERONAUTICS FUND | 74,228,617 | 93,817,643 | 115,404,000 | 116,363,000 |
| TRANSPORTATION: TRUNKLINE FUND 116 | | | | |
| Federal Aid | 523,294,848 | 696,173,676 | 862,749,000 | 928,584,000 |
| Local Agencies | 43,301,539 | 32,519,518 | 38,000,000 | 43,320,000 |
| Licenses and Permits | 18,552,818 | 20,356,742 | 19,210,000 | 19,445,000 |
| Transfer from Michigan Transportation & Other Funds | 745,455,211 | 865,109,513 | 809,772,000 | 832,414,000 |
| Interest from Common Cash Investment | 15,439,074 | 16,485,857 | 12,938,000 | 12,938,000 |
| Other | 18,671,757 | 16,003,281 | 13,630,000 | 11,190,000 |
| TOTAL TRUNKLINE FUND | 1,364,715,247 | 1,646,648,587 | 1,756,299,000 | 1,847,891,000 |
| TRANSPORTATION: BLUE WATER BRIDGE FUND 118 | | | | |
| Tolls and Rentals | 10,803,964 | 11,408,365 | 12,100,000 | 12,100,000 |
| Interest From Common Cash Investment and Other | 650,446 | 5,126,272 | 863,000 | 963,000 |
| TOTAL BLUE WATER BRIDGE TRANSPORTATION FUND | 11,454,410 | 16,534,638 | 12,963,000 | 13,063,000 |
| TRANSPORTATION: MICHIGAN TRANSPORTATION FUND 119 | | | | |
| Diesel and Motor Carrier Fuel Tax | 134,511,705 | 143,436,547 | 145,200,000 | 149,600,000 |
| Gasoline and Liquified Petroleum GasTax | 931,829,378 | 923,031,008 | 944,000,000 | 960,000,000 |
| Motor Vehicle Registration Tax | 709,869,374 | 755,096,882 | 770,000,000 | 810,000,000 |
| Licenses, Permits, Other and Transfers | 57,594,607 | 57,735,420 | 57,295,000 | 60,217,000 |
| Interest From Common Cash Investment | 11,024,217 | 13,270,579 | 8,050,000 | 8,070,000 |
| TOTAL MICHIGAN TRANSPORTATION FUND | 1,844,829,282 | 1,892,570,436 | 1,924,545,000 | 1,987,887,000 |
| TRANSPORTATION: COMPREHENSIVE TRANSPORTATION FUND 120 | | | | |
| Sales Tax | 63,241,240 | 69,699,374 | 66,500,000 | 67,000,000 |
| Federal Aid | 18,577,809 | 18,006,009 | 55,700,000 | 55,900,000 |
| Transfer from Michigan Transportation & Other Funds | 154,281,031 | 158,052,021 | 158,963,000 | 164,805,000 |
| Other | 7,889,666 | 3,889,489 | 3,000,000 | 2,900,000 |
| TOTAL COMPREHENSIVE TRANSPORTATION FUND | 243,989,746 | 249,646,892 | 284,163,000 | 290,605,000 |
| TRANSPORTATION BOND PROCEEDS | 30,352,594 | 26,632,739 | 1,825,000 | 1,572,000 |
| TOTAL TRANSPORTATION REVENUE | 3,569,569,897 | 3,925,850,935 | 4,095,199,000 | 4,257,381,000 |
| LESS: Interfund Transfers | (899,736,242) | (1,023,161,534) | (968,735,000) | (997,218,000) |
| NET TOTAL TRANSPORTATION REVENUE After Transfers | 2,669,833,654 | 2,902,689,402 | 3,126,464,000 | 3,260,163,000 |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|---|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| | 01/29/01 | | | |
| General Fund Summary | | | | |
| General Fund - General Purpose | 9,567,469,949 | 9,870,123,897 | 9,619,600,000 | 9,784,700,000 |
| General Fund - Special Purpose | 10,709,062,896 | 11,695,805,591 | 11,898,766,000 | 12,277,227,000 |
| TOTAL GENERAL FUND | 20,276,532,845 | 21,565,929,488 | 21,518,366,000 | 22,061,927,000 |
| LESS: Interfund Transfers | (187,850,888) | (197,201,272) | (108,415,000) | (110,352,000) |
| NET TOTAL GENERAL FUND after transfers | 20,088,681,956 | 21,368,728,216 | 21,409,951,000 | 21,951,575,000 |
| Other Funds Summary | | | | |
| School Aid Fund | 9,949,668,313 | 10,479,337,419 | 10,747,700,000 | 11,061,200,000 |
| Special Revenue Funds | 876,443,102 | 985,196,439 | 877,885,000 | 945,158,000 |
| Transportation Revenues | 3,569,569,897 | 3,925,850,935 | 4,095,199,000 | 4,257,381,000 |
| TOTAL OTHER FUNDS | 14,395,681,311 | 15,390,384,792 | 15,720,784,000 | 16,263,739,000 |
| LESS: Interfund Transfers | (1,703,437,385) | (1,649,898,277) | (1,437,919,000) | (1,286,493,000) |
| NET TOTAL OTHER FUNDS after transfers | 12,692,243,926 | 13,740,486,516 | 14,282,865,000 | 14,977,246,000 |
| All Funds Summary | | | | |
| Net General Fund | 20,088,681,956 | 21,368,728,216 | 21,409,951,000 | 21,951,575,000 |
| Net Other Funds | 12,692,243,926 | 13,740,486,516 | 14,282,865,000 | 14,977,246,000 |
| NET TOTAL REVENUE after transfers | 32,780,925,882 | 35,109,214,731 | 35,692,816,000 | 36,928,821,000 |

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

| | ACTUAL FY 1998 - 1999 | PRELIMINARY FY 1999 - 2000 | ESTIMATES FY 2000 - 2001 | ESTIMATES FY 2001 - 2002 |
|---|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| 01/29/01 | | | | |
| OTHER REVENUE OR NON-CURRENT YEAR SOURCES OF FINANCING | | | | |
| General Fund Unreserved Balance | 0 | 179,022,000 | 0 | 0 |
| School Aid Fund Unreserved Balance | 572,800,000 | 853,400,000 | 668,800,000 | 209,000,000 |
| Special Revenue Funds Balances (Available) | 144,891,000 | 255,383,000 | 239,991,000 | 239,991,000 |
| Budgeted Non-revenue Items | | | | |
| Liquor Operations (330) | 16,753,994 | 16,897,588 | 27,961,000 | 30,301,000 |
| Lottery Operations (335) | 30,179,763 | 31,084,295 | 37,168,000 | 37,461,000 |
| Retirement Operations (762;771,6;783,4;875) | 21,184,780 | 21,572,338 | 32,032,000 | 32,769,000 |
| Michigan State Industries (431) | 9,189,218 | 10,798,405 | 15,598,000 | 15,861,000 |
| State Building Authority & Capital Outlay Reserve | 373,326,286 | 417,317,250 | 448,317,000 | 448,317,000 |
| Group Insurance Fund(440), Flexible Spending & COBRA | 6,318,567 | 6,580,555 | 7,422,000 | 7,497,000 |
| MSHDA | 15,043,884 | 15,768,110 | 18,062,000 | 19,061,000 |
| Sub-Total Budgeted Non-revenue Items and Fund Balances | 1,189,687,492 | 1,807,823,542 | 1,495,351,000 | 1,040,258,000 |
| NET TOTAL RESOURCES | 33,970,613,374 | 36,917,038,273 | 37,188,167,000 | 37,969,079,000 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|--|--------------------|--------------------|
| AGRICULTURE | | |
| Executive | 6,870,400 | 6,655,700 |
| Departmentwide | 1,647,100 | 1,643,900 |
| Food and Dairy | 19,532,400 | 7,625,200 |
| Animal Industry | 5,946,100 | 5,705,600 |
| Pesticide and Plant Pest Management | 13,481,700 | 6,604,600 |
| Environmental Stewardship | 14,206,500 | 6,654,400 |
| Laboratory Program | 10,663,500 | 6,058,900 |
| Market Development | 4,860,100 | 3,916,200 |
| Fairs and Expositions | 19,657,700 | 3,453,300 |
| Office of Racing Commissioner | 3,877,200 | 0 |
| Budgetary Savings | (241,600) | (241,600) |
| TOTAL AGRICULTURE | 100,501,100 | 48,076,200 |
| CAPITAL OUTLAY | | |
| Department of Agriculture | 5,000,000 | 0 |
| Department of Management and Budget | 25,148,700 | 18,148,700 |
| Department of Military Affairs | | |
| Lump Sum Projects | 2,674,000 | 1,364,000 |
| Department of Natural Resources | | |
| State Park Remodeling and Additions | 2,500,000 | 0 |
| Waterways Boating Program | 6,339,000 | 0 |
| Wildlife | 5,750,000 | 0 |
| Department of Transportation | | |
| State Trunkline Fund | 9,800,000 | 0 |
| Aeronautics Fund: Aeronautics Programs | 152,722,000 | 26,000,000 |
| State Building Authority Rent | 305,824,000 | 302,154,000 |
| TOTAL CAPITAL OUTLAY | 515,757,700 | 347,666,700 |
| COMMUNITY HEALTH | | |
| Departmentwide Administration | 81,477,000 | 52,585,200 |
| Mental Health/Substance Abuse | | |
| Services Administration and Special Projects | 25,510,200 | 15,834,900 |
| Community Mental Health/Substance | | |
| Abuse Services Programs | 1,880,436,100 | 1,079,071,700 |
| State Psychiatric Hospitals, Centers for | | |
| Persons with Developmental Disabilities, | | |
| and Forensic and Prison Mental Health | | |
| Services | 355,545,800 | 41,725,800 |
| Public Health Administration | 8,967,600 | 3,607,500 |
| Infectious Disease Control | 45,976,100 | 6,079,400 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|---|----------------------|----------------------|
| COMMUNITY HEALTH (CON'T) | | |
| Laboratory Services | 12,395,100 | 6,740,800 |
| Epidemiology | 7,433,600 | 2,402,800 |
| Local Health Administration and Grants | 45,899,200 | 42,210,400 |
| Chronic Disease and Injury Prevention and Health Promotion | 42,037,500 | 3,243,600 |
| Community Living, Children, and Families | 118,028,700 | 36,858,600 |
| Women, Infants, and Children Food and Nutrition Program | 164,626,600 | 0 |
| Children's Special Health Care Services | 141,326,300 | 70,745,900 |
| Office of Drug Control Policy | 30,624,000 | 386,000 |
| Crime Victim Services Commission | 24,568,000 | 516,900 |
| Office of Services to the Aging | 90,487,900 | 36,831,700 |
| Medical Services Administration | 58,054,900 | 20,489,300 |
| Medical Services | 5,651,905,000 | 1,323,816,700 |
| Budgetary Savings | (13,722,400) | (13,722,400) |
| TOTAL COMMUNITY HEALTH | 8,771,577,200 | 2,729,424,800 |
| CONSUMER AND INDUSTRY SERVICES | | |
| Executive Direction | 19,286,500 | 5,762,600 |
| Council for Arts and Cultural Affairs | 26,638,500 | 25,938,500 |
| Fire Safety | 4,808,700 | 1,654,300 |
| Management Services | 38,191,300 | 4,570,200 |
| Financial and Insurance Services | 28,877,700 | 0 |
| Public Service Commission | 15,824,300 | 0 |
| Liquor Control Commission | 20,332,500 | 0 |
| Michigan State Housing Development Authority | 101,522,200 | 0 |
| Tax Tribunal | 1,654,600 | 1,019,100 |
| Grants | 7,421,000 | 0 |
| Health Regulatory Systems | 44,978,100 | 10,362,200 |
| Regulatory Services | 26,254,900 | 14,840,100 |
| Occupational Regulation | 36,586,100 | 281,100 |
| Employment Relations | 3,140,700 | 3,130,700 |
| Safety and Regulation | 25,439,700 | 7,789,700 |
| Worker's Disability Compensation | 18,226,000 | 10,457,300 |
| Unemployment Agency | 116,877,500 | 0 |
| Budgetary Savings | (429,000) | (429,000) |
| TOTAL CONSUMER AND INDUSTRY SERVICES | 535,631,300 | 85,376,800 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|---|----------------------|----------------------|
| CORRECTIONS | | |
| Executive | 26,578,000 | 9,418,400 |
| Administration and Programs | 105,239,300 | 87,402,700 |
| Field Operations Administration | 167,740,600 | 151,067,200 |
| Community Corrections | 48,028,900 | 34,836,800 |
| Consent Decrees | 111,891,000 | 111,891,000 |
| Health Care | 144,867,700 | 144,782,700 |
| Correctional Facilities Administration | 47,731,700 | 42,298,400 |
| Northern Region Correctional Facilities | 336,157,900 | 335,020,300 |
| Southeastern Region Correctional Facilities | 421,904,700 | 412,467,800 |
| Southwestern Region Correctional Facilities | 348,132,200 | 346,755,200 |
| Budgetary Savings | (1,000,000) | (1,000,000) |
| TOTAL CORRECTIONS | 1,757,272,000 | 1,674,940,500 |
| EDUCATION | | |
| State Board of Education/Office of the Superintendent | 2,601,800 | 2,002,700 |
| Central Support | 7,738,800 | 3,094,000 |
| School Support Services | 5,003,100 | 228,500 |
| Data and Technology Services | 5,243,100 | 2,159,800 |
| Special Education Services | 7,405,800 | 280,400 |
| Michigan Schools for the Deaf and Blind | 11,837,100 | 3,876,200 |
| Professional Preparation Services | 5,286,300 | 0 |
| Field Services | 4,183,300 | 435,700 |
| Office of School Excellence | 6,426,900 | 2,295,200 |
| Government Services | 1,108,300 | 458,000 |
| Safe Schools and Administrative Law | 1,309,500 | 1,016,100 |
| Education Options, Charters, and Choice | 1,634,500 | 749,000 |
| Grants and Distributions | 883,865,700 | 18,228,000 |
| Budgetary Savings | (174,100) | (174,100) |
| TOTAL EDUCATION | 943,470,100 | 34,649,500 |
| ENVIRONMENTAL QUALITY | | |
| Executive | 2,486,600 | 1,589,900 |
| Department Support Services | 20,881,900 | 10,191,900 |
| Geological Survey | 11,152,900 | 132,100 |
| Land and Water Management | 14,557,000 | 7,936,700 |
| Air Quality | 19,167,100 | 6,621,900 |
| Surface Water Quality | 24,819,100 | 10,319,400 |
| Drinking Water Protection and Radiological Health | 24,631,300 | 9,156,900 |
| Low Level Radioactive Waste Authority | 769,900 | 0 |
| Environmental Response | 58,029,700 | 25,334,500 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|---|----------------------|----------------------|
| ENVIRONMENTAL QUALITY (CON'T) | | |
| Storage Tanks | 80,523,400 | 5,841,900 |
| Waste Management | 14,551,700 | 5,750,400 |
| Environmental Assistance | 11,609,000 | 687,600 |
| Criminal Investigations | 1,925,400 | 1,492,800 |
| Grants | 131,970,900 | 18,638,600 |
| Budgetary Savings | (519,300) | (519,300) |
| TOTAL ENVIRONMENTAL QUALITY | 416,556,600 | 103,175,300 |
| FAMILY INDEPENDENCE AGENCY | | |
| Executive Operations | 278,891,200 | 95,901,500 |
| Family Services Administration | 244,502,600 | 23,426,400 |
| Child and Family Services | 636,464,300 | 220,478,200 |
| Juvenile Justice Services | 231,239,900 | 149,761,300 |
| Local Office Staff and Operations | 464,762,500 | 178,263,450 |
| Disability Determination Services | 72,799,500 | 2,188,800 |
| Central Support Accounts | 252,723,300 | 109,440,750 |
| Public Assistance | 1,484,883,200 | 426,306,900 |
| Budgetary Savings | (6,028,800) | (6,028,800) |
| TOTAL FAMILY INDEPENDENCE AGENCY | 3,660,237,700 | 1,199,738,500 |
| GENERAL GOVERNMENT | | |
| ATTORNEY GENERAL | | |
| Attorney General Operations | 65,439,500 | 38,289,300 |
| Budgetary Savings | (191,400) | (191,400) |
| TOTAL ATTORNEY GENERAL | 65,248,100 | 38,097,900 |
| CIVIL RIGHTS | | |
| Civil Rights Operations | 15,899,600 | 14,965,600 |
| Budgetary Savings | (74,800) | (74,800) |
| TOTAL CIVIL RIGHTS | 15,824,800 | 14,890,800 |
| CIVIL SERVICE | | |
| Civil Service Operations | 30,935,600 | 11,503,600 |
| Budgetary Savings | (57,500) | (57,500) |
| TOTAL CIVIL SERVICE | 30,878,100 | 11,446,100 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|--|--------------------|--------------------|
| EXECUTIVE OFFICE | | |
| Executive Office Operations | 5,849,100 | 5,849,100 |
| Budgetary Savings | (29,200) | (29,200) |
| TOTAL EXECUTIVE OFFICE | 5,819,900 | 5,819,900 |
| LEGISLATIVE AUDITOR GENERAL | | |
| Office of the Auditor General | 15,607,400 | 13,731,200 |
| TOTAL LEGISLATIVE AUDITOR GENERAL | 15,607,400 | 13,731,200 |
| LEGISLATURE | | |
| Legislature | 85,506,800 | 85,506,800 |
| Legislative Council | 14,111,700 | 13,711,700 |
| Legislative Retirement System | 4,389,400 | 3,347,600 |
| Property Management | 9,449,000 | 9,449,000 |
| TOTAL LEGISLATURE | 113,456,900 | 112,015,100 |
| LIBRARY OF MICHIGAN | | |
| Library of Michigan | 39,995,600 | 35,276,300 |
| TOTAL LIBRARY OF MICHIGAN | 39,995,600 | 35,276,300 |
| MANAGEMENT AND BUDGET | | |
| Management and Budget Services | 147,256,600 | 43,669,600 |
| Statewide Appropriations | 1,255,000 | 0 |
| Special Programs | 27,663,300 | 3,688,200 |
| Budgetary Savings | (238,300) | (238,300) |
| TOTAL MANAGEMENT AND BUDGET | 175,936,600 | 47,119,500 |
| STATE | | |
| Executive Direction | 2,373,100 | 1,185,600 |
| Department Services | 44,148,600 | 13,895,700 |
| Regulatory Services | 20,009,700 | 3,987,600 |
| Customer Delivery Services | 101,376,200 | 34,224,000 |
| Election Regulation | 4,837,500 | 4,837,500 |
| Historical Program | 8,618,800 | 5,562,000 |
| Departmentwide Appropriations | 10,657,000 | 4,552,000 |
| Budgetary Savings | (340,200) | (340,200) |
| TOTAL STATE | 191,680,700 | 67,904,200 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|------------------------------------|----------------------|--------------------|
| TREASURY | | |
| Executive Direction | 1,330,200 | 1,073,700 |
| Departmentwide Appropriations | 6,908,500 | 3,056,300 |
| Local Government Programs | 9,414,000 | 7,292,300 |
| Tax Programs | 60,849,900 | 17,628,200 |
| Management Programs | 52,628,500 | 18,454,300 |
| Financial Programs | 67,456,000 | 2,168,400 |
| Debt Service | 111,995,000 | 111,295,000 |
| Grants | 1,756,188,600 | 14,838,600 |
| State Lottery | 37,198,600 | 0 |
| Casino Gaming | 16,888,700 | 0 |
| Budgetary Savings | (408,700) | (408,700) |
| TOTAL TREASURY | 2,120,449,300 | 175,398,100 |
| TOTAL GENERAL GOVERNMENT | 2,774,926,600 | 521,728,300 |
| HIGHER EDUCATION | | |
| COMMUNITY COLLEGES | | |
| Alpena Community College | 5,341,642 | 5,341,642 |
| Bay de Noc Community College | 5,177,657 | 5,177,657 |
| Delta College | 14,877,462 | 14,877,462 |
| Glen Oaks Community College | 2,513,841 | 2,513,841 |
| Gogebic Community College | 4,371,328 | 4,371,328 |
| Grand Rapids Community College | 18,633,380 | 18,633,380 |
| Henry Ford Community College | 22,863,124 | 22,863,124 |
| Jackson Community College | 12,559,094 | 12,559,094 |
| Kalamazoo Valley Community College | 13,054,081 | 13,054,081 |
| Kellogg Community College | 10,176,902 | 10,176,902 |
| Kirtland Community College | 3,062,888 | 3,062,888 |
| Lake Michigan College | 5,474,861 | 5,474,861 |
| Lansing Community College | 32,453,297 | 32,453,297 |
| Macomb Community College | 34,440,559 | 34,440,559 |
| Mid Michigan Community College | 4,627,904 | 4,627,904 |
| Monroe County Community College | 4,504,295 | 4,504,295 |
| Montcalm Community College | 3,234,506 | 3,234,506 |
| C. S. Mott Community College | 16,373,988 | 16,373,988 |
| Muskegon Community College | 9,309,644 | 9,309,644 |
| North Central Michigan College | 3,150,286 | 3,150,286 |
| Northwestern Michigan College | 9,524,786 | 9,524,786 |
| Oakland Community College | 21,687,988 | 21,687,988 |
| St. Clair County Community College | 7,282,036 | 7,282,036 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|---|----------------------|----------------------|
| COMMUNITY COLLEGES (CON'T) | | |
| Schoolcraft College | 12,781,091 | 12,781,091 |
| Southwestern Michigan College | 6,896,360 | 6,896,360 |
| Washtenaw Community College | 13,112,716 | 13,112,716 |
| Wayne County Community College | 17,223,721 | 17,223,721 |
| West Shore Community College | 2,394,779 | 2,394,779 |
| Grants | 4,092,103 | 4,092,103 |
| Financial Aid | 10,000,000 | 0 |
| TOTAL COMMUNITY COLLEGES | 331,196,319 | 321,196,319 |
| STATE UNIVERSITIES/GRANTS & FIN. AID | | |
| Operations | | |
| Central Michigan University | 89,938,980 | 89,938,980 |
| Eastern Michigan University | 87,728,559 | 87,728,559 |
| Ferris State University | 55,566,733 | 55,566,733 |
| Grand Valley State University | 64,260,345 | 64,260,345 |
| Lake Superior State University | 14,282,644 | 14,282,644 |
| Michigan State University | 327,983,790 | 327,983,790 |
| Michigan Technological University | 55,279,423 | 55,279,423 |
| Northern Michigan University | 51,247,828 | 51,247,828 |
| Oakland University | 52,613,349 | 52,613,349 |
| Saginaw Valley State University | 27,873,793 | 27,873,793 |
| University of Michigan-Ann Arbor | 363,702,103 | 363,702,103 |
| University of Michigan-Dearborn | 28,011,884 | 28,011,884 |
| University of Michigan-Flint | 24,093,044 | 24,093,044 |
| Wayne State University | 253,801,227 | 253,801,227 |
| Western Michigan University | 126,874,617 | 126,874,617 |
| State and Regional Programs | 69,992,593 | 69,992,593 |
| Martin Luther King, Jr.-Cesar Chavez-Rosa Parks Program | 3,006,175 | 3,006,175 |
| Grants and Financial Aid | 260,485,274 | 125,311,429 |
| TOTAL STATE UNIVERSITIES | 1,956,742,361 | 1,821,568,516 |
| JUDICIARY | | |
| Supreme Court | 40,386,400 | 28,282,400 |
| Court of Appeals | 22,527,000 | 20,878,200 |
| Trial Court Operations | 77,840,400 | 41,796,400 |
| Justices' and Judges' Compensation | 90,163,100 | 84,264,000 |
| Judicial Agencies | 1,161,700 | 1,161,700 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|--|--------------------|--------------------|
| JUDICIARY (CON'T) | | |
| Indigent Defense - Criminal | 6,024,600 | 5,381,500 |
| Indigent Defense - Civil | 7,337,000 | 0 |
| Grants and Reimbursements to Local Government | 2,550,000 | 0 |
| TOTAL JUDICIARY | 247,990,200 | 181,764,200 |
| MILITARY AND VETERANS AFFAIRS | | |
| Headquarters and Armories | 14,561,900 | 10,021,200 |
| Military Training Sites and Support Facilities | 15,665,600 | 3,450,000 |
| Departmentwide Appropriations | 7,850,800 | 3,824,800 |
| Veterans' Service Organizations | 3,884,400 | 3,884,400 |
| Grand Rapids Veterans' Home | 42,890,100 | 16,134,900 |
| D.J. Jacobetti Veterans' Home | 13,054,800 | 5,333,100 |
| Michigan Veterans' Trust Fund | 5,126,100 | 351,400 |
| Budgetary Savings | (215,000) | (215,000) |
| TOTAL MILITARY AND VETERANS AFFAIRS | 102,818,700 | 42,784,800 |
| NATURAL RESOURCES | | |
| Executive | 2,316,500 | 700,100 |
| Administrative Services | 27,681,500 | 8,250,800 |
| Departmental Operation Support | 3,048,100 | 1,413,500 |
| Wildlife Management | 19,783,900 | 393,700 |
| Fisheries Management | 24,353,600 | 138,200 |
| Parks and Recreation | 55,294,700 | 10,999,900 |
| Mackinac Island State Park Comm. | 3,451,200 | 1,990,700 |
| Forest Resource Management | 39,911,600 | 10,547,400 |
| Land and Mineral Services | 14,564,000 | 1,516,200 |
| Law Enforcement | 27,050,200 | 4,993,300 |
| Payments in Lieu of Taxes | 18,215,900 | 15,559,100 |
| Grants | 19,460,500 | 0 |
| Budgetary Savings | (282,500) | (282,500) |
| TOTAL NATURAL RESOURCES | 254,849,200 | 56,220,400 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|--|-----------------------|--------------------|
| CAREER DEVELOPMENT | | |
| Departmental Administration | 559,000 | 559,000 |
| Department Operations | 12,836,000 | 2,508,100 |
| Workforce Development | 75,771,700 | 9,467,100 |
| Career Education Programs | 7,829,800 | 1,838,800 |
| Department Grants | 378,837,400 | 22,349,200 |
| Employment Service Agency | 54,455,200 | 0 |
| Budgetary Savings | (183,800) | (183,800) |
| TOTAL CAREER DEVELOPMENT | 530,105,300 | 36,538,400 |
| MICHIGAN STRATEGIC FUND | | |
| Michigan Strategic Fund | 180,539,400 | 66,605,000 |
| Budgetary Savings | (333,400) | (333,400) |
| TOTAL STRATEGIC FUND | 180,206,000 | 66,271,600 |
| TOTAL CAREER DEV./MI STRATEGIC FUND | 710,311,300 | 102,810,000 |
| SCHOOL AID | | |
| Section 11 | 11,521,053,300 | 205,613,500 |
| TOTAL SCHOOL AID | 11,521,053,300 | 205,613,500 |
| STATE POLICE | | |
| Executive Direction | 10,179,800 | 3,640,200 |
| Departmentwide Appropriations | 26,574,800 | 25,459,800 |
| Support Services | 31,060,200 | 27,862,000 |
| Highway Safety Planning | 25,188,800 | 6,946,200 |
| Criminal Justice Information Center | 12,032,200 | 6,031,500 |
| Criminal Justice Data Center | 10,360,800 | 8,292,200 |
| Forensic Sciences | 21,128,700 | 19,633,500 |
| Commission on Law Enforcement Standards | 11,772,400 | 1,726,900 |
| Fire Marshal | 5,787,100 | 5,552,100 |
| Emergency Management | 11,628,200 | 1,757,000 |
| Uniform Services | 172,131,200 | 160,682,400 |
| Special Operations | 9,009,900 | 5,380,300 |
| Criminal Investigations | 51,605,100 | 35,018,500 |
| Motor Carrier Enforcement | 18,298,900 | 1,486,900 |
| Budgetary Savings | (1,547,300) | (1,547,300) |
| TOTAL STATE POLICE | 415,210,800 | 307,922,200 |

SUMMARY OF FY2002 EXECUTIVE BUDGET BILLS

| | All Funds | GF/GP |
|---|----------------------|----------|
| TRANSPORTATION | | |
| Debt Service | 121,616,800 | 0 |
| Interdepartment and Statutory Contracts | 69,763,600 | 0 |
| Executive Direction | 3,511,600 | 0 |
| Administrative Services | 39,915,300 | 0 |
| Bureau of Finance and Administration | 21,032,400 | 0 |
| Bureau of Transportation Planning | 29,432,600 | 0 |
| Bureau of Highways | 80,784,100 | 0 |
| Highway Maintenance | 238,155,000 | 0 |
| Road and Bridge Programs | 2,202,925,300 | 0 |
| Blue Water Bridge | 10,316,400 | 0 |
| Transportation Economic Development Fund | 43,130,100 | 0 |
| Bureau of Aeronautics | 7,925,200 | 0 |
| Bureau of Urban and Public Transportation | 8,878,500 | 0 |
| Bus Transit Division; Statutory Operating | 162,699,800 | 0 |
| Intercity Passenger and Freight | 28,108,100 | 0 |
| Public Transportation Development | 70,472,900 | 0 |
| TOTAL TRANSPORTATION | 3,138,667,700 | 0 |



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER
GOVERNOR

February 8, 2001

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

In Fiscal Year 1999, the Civil Service Commission approved multi-year collective bargaining agreements with seven state employee unions for Fiscal Years 2000, 2001 and 2002. We are in the third year of those multi-year agreements. The labor agreement for the Safety and Regulatory unit was approved by the Commission on January 20, 2000. Fiscal Year 2002 increases contained in all eight of these agreements are reflected in this transmittal. The State Police Enlisted unit is currently in P.A. 312 Arbitration, thus, it is not included in this correspondence.

The Commission also approved Fiscal Year 2002 pay and benefit adjustments for non-exclusively represented state classified employees at the December 14, 2000, meeting. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of all Civil Service Commission pay actions for Fiscal Year 2002 prepared by the Office of the State Employer. The net additional cost of these pay and benefit adjustments for Fiscal Year 2002 is estimated to be \$91 million including the state's share of FICA and required retirement contributions.

Sincerely,

A handwritten signature of John Engler in black ink.

John Engler
Governor

Estimated "New" Costs - Summary Michigan State Classified Service Fiscal Year 2001 - 2002

(NOTE: Amounts do not include costs associated with overtime, shift differential, etc.)

| | A-02 P.O.A.M Saf. & Reg. | A-31 MSEA Labor & Trades | C-12 MCO Security | E-42 31-M Human Srv. Support | H-21 MPES Scientific & Engineering | L-32 UTEA Technical | ¹ T-01 MSPTA State Police Enlisted | U-11 AFSCME Institutional | W-22 & W-41 UAW Human Srv. & Admin. Sppt. | MSC's & NERE's | TOTAL ALL UNITS |
|--|--------------------------------|--------------------------------|-------------------------|---------------------------------------|---|---------------------------|--|---------------------------------|--|----------------------|-----------------------|
| ² Number of Employees - 10/01/00 | 1,969 | 3,226 | 10,140 | 792 | 2,073 | 1,236 | 1,950 | 3,550 | 20,218 | 17,565 | 62,719 |
| ² Avg Annual Salary - 10/01/00 | \$ 35,536 | \$ 34,932 | \$ 37,292 | \$ 37,835 | \$ 51,511 | \$ 37,417 | | \$ 32,740 | \$ 38,816 | \$ 52,889 | \$ 41,037 |
| Base Pay Adjustments for FY 2002 | | | | | | | | | | | |
| 2% Base Wage increase 10/01/2001 | \$ 1,399,408 | \$ 2,253,813 | \$ 7,562,818 | \$ 599,306 | \$ 2,135,646 | \$ 924,948 | | \$ 2,324,540 | \$ 15,695,638 | \$ 18,579,906 | \$ 51,476,022 |
| ³ FICA/Ret. on Base Wage Increase | \$ 311,928 | \$ 498,994 | \$ 1,743,229 | \$ 127,952 | \$ 466,852 | \$ 202,564 | | \$ 510,004 | \$ 3,426,358 | \$ 4,096,869 | \$ 11,384,750 |
| Lump Sum Adjustments for FY 2002 | | | | | | | | | | | |
| Lump Sum payment \$375 10/1/2001 | \$ 738,375 | \$ 1,209,750 | \$ 3,802,500 | \$ 297,000 | \$ 777,375 | \$ 463,500 | | \$ 1,331,250 | \$ 7,581,750 | \$ 6,586,875 | \$ 22,788,375 |
| ³ FICA/Ret. on Lump Sums | \$ 164,584 | \$ 267,839 | \$ 876,476 | \$ 63,410 | \$ 169,934 | \$ 101,507 | | \$ 292,076 | \$ 1,655,096 | \$ 1,452,406 | \$ 5,043,327 |
| Other Costs | | | | | | | | | | | |
| ⁴ Special pay adjustment | | | | | | | | | | \$ 68,000 | \$ 68,000 |
| ⁵ Emergency Response Compensation | | | | | | | | | | \$ 66,000 | \$ 66,000 |
| ⁶ Long Term Disability Insurance | | | | | | | | | | \$ 150,000 | \$ 150,000 |
| ⁷ Bomb Squad Pay | | | | | | | | | | \$ 5,000 | \$ 5,000 |
| ⁸ Uniform Cleaning Allowance | | | | | | | | | | \$ 3,300 | \$ 3,300 |
| Total FY 2002 Additional Costs | \$ 2,614,295 | \$ 4,230,396 | \$ 13,985,023 | \$ 1,087,668 | \$ 3,549,807 | \$ 1,692,519 | Unknown | \$ 4,457,870 | \$ 28,358,842 | \$ 31,008,356 | \$ 90,984,774 |

¹ Currently at PA 312 Arbitration.

² MIDB, HRS_Appointment table, PP 22.

³ Rates from DMB/OFM 08/25/2000 memo (effective 10/01/2000);

- Unit rates are weighted by enrollment.

- Assumes State maximum contribution for retirement code 40.

⁴ Pay range reassignment for Code Inspection Supv. 14 and 15

⁵ ERC for NERES applies to Conservation Officer Law Supervisors 13-16

⁶ Increase NERE LTD monthly maximum to \$5,000

⁷ Increase monthly Bomb Squad Pay for MSP Lieutenants

⁸ Increase Uniform Cleaning Allowance for certain MSP classes

Jan-01

Legislation Necessary to Implement Fiscal Year 2002 Executive Budget

| Department | Purpose | Public Act or MCLA Being Amended |
|--|--|---|
| Agriculture | Pesticide fee increase | PA 451 (Part 83) of 1994 MCL 324.8317 |
| Community Health | In-state mail order pharmacy | PA 368 of 1978 MCL 333.17763 |
| Department of Environmental Quality | 1. Air quality fee sunset extension 2. Septage fee increase | PA 451 (Part 55) of 1994 MCL 324.5522 PA 451 (Part 117) of 1994 MCL 324.11703 |
| Higher Education | Repeal tuition tax credit | PA 281 of 1976 MCL 206.274 |
| Department of Natural Resources | Snowmobile trail user fee increase | PA 451 (Part 821) of 1994 MCL 324.82118 |
| Department of Transportation | 1. Soo locks fund 2. Diesel fuel tax collection | PA 295 of 1976 MCL 474.67 MCL 247.651, 207.108, 207.122, 207.134, 207.212 and 207.214 |
| Department of Treasury | Revenue sharing revision | PA 140 of 1971 MCL 141.913 |

STATE OF MICHIGAN WORLD WIDE WEB ADDRESSES

This budget document can be found at: www.state.mi.us/dmb/budget

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| EXECUTIVE BRANCH | |
| Governor's Office | http://www.migov.state.mi.us/ |
| Michigan Administrative Code | http://www.state.mi.us/orr |
| Office of Regulatory Reform | http://www.state.mi.us/orr |
| First Lady | http://www.state.mi.us/migov/FirstLady/index.htm |
| Departments: | |
| Agriculture | http://www.mda.state.mi.us/ |
| Attorney General | http://www.ag.state.mi.us/ |
| Career Development | http://www.state.mi.us/career/index.htm |
| Michigan Community Services Commission | http://www.state.mi.us/career/mcsc/ |
| Michigan Works! | http://www.michworks.org/ |
| Rehabilitation Services | http://www.mrs.state.mi.us/ |
| Civil Rights | http://www.mdcr.com/ |
| Civil Service | http://www.state.mi.us/mdcs/ |
| Community Health | http://www.mdch.state.mi.us/ |
| Michigan Aging Services System | http://www.mdch.state.mi.us/mass/masshome.html |
| Consumer and Industry Services | http://www.cis.state.mi.us/ |
| Bureau of Regulatory Services | http://www.cis.state.mi.us/brs |
| Bureau of Health Services | http://www.cis.state.mi.us/bhser |
| Office of Financial & Insurance Services | http://www.cis.state.mi.us/ofis/ |
| Public Service Commission | http://www.cis.state.mi.us/mpsc/ |
| Unemployment Agency | http://www.cis.state.mi.us/ua/homepage.htm |
| Corrections | http://www.state.mi.us/mdoc/ |
| Economic Development Corporation | http://medc.michigan.org |
| Travel Michigan | http://www.michigan.org/ |
| Education | http://www.mde.state.mi.us |
| Environmental Quality | http://www.deq.state.mi.us |
| Michigan Environmental Science Board | http://www.mesb.org/ |
| Office of the Great Lakes | http://www.deq.state.mi.us/ogl/ |
| Family Independence Agency | http://www.mfia.state.mi.us/ |
| Lottery | http://www.state.mi.us/msl/ |
| Management and Budget | http://www.state.mi.us/dmb/ |
| Census 2000 | http://www.state.mi.us/census2000/ |
| Contract & Payment Express | http://www.state.mi.us/dmb/budget/security.htm |
| Michigan Information Center | http://www.state.mi.us/dmb/mic/ |
| Michigan Public Schools Retirement System | http://www.state.mi.us/dmb/ors/mpsers/Index.htm |

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| Office of Financial Management | http://www.state.mi.us/dmb/ofm/ |
| Office of Purchasing | http://www.state.mi.us/dmb/ooop/ |
| Office of Retirement Services | http://www.state.mi.us/dmb/ors/ |
| Military and Veteran Affairs | http://www.michguard.com |
| Natural Resources | http://www.dnr.state.mi.us |
| State | http://www.sos.state.mi.us |
| Michigan Historical Center | http://www.sos.state.mi.us/history/ |
| Bureau of Elections | http://www.sos.state.mi.us/election/elect.html |
| State Police | http://www.msp.state.mi.us/ |
| Transportation | http://www.mdot.state.mi.us |
| Treasury | http://www.treasury.state.mi.us/ |
| 2000 Tax Forms | http://www.treasury.state.mi.us/forms/pub/formind.htm |
| Electronic Filing of Income Tax Returns | http://efile.state.mi.us |
| Michigan Gaming Control Board | http://www.state.mi.us/mgcb/ |
| Michigan Merit Award | http://www.meritaward.state.mi.us |

JUDICIAL BRANCH

<http://www.state.mi.us/jud/>

LEGISLATIVE BRANCH

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| House of Representatives | http://www.house.state.mi.us |
| House Fiscal Agency | http://www.house.state.mi.us/hfa/ |
| Senate | http://www.senate.state.mi.us/ |
| Senate Fiscal Agency | http://www.senate.state.mi.us/sfa/ |
| Library of Michigan | http://www.libofmich.lib.mi.us/ |
| Legislative Auditor General | http://www.state.mi.us/audgen/ |
| Michigan Legislative Information Web Service | http://www.michiganlegislature.org/ |

MISCELLANEOUS INFORMATION SITES:

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| Michigan Constitution | http://www.state.mi.us/migov/constitution/ |
| Bureau of Labor Statistics | http://www.bls.gov/ |
| Congressional Budget Office | http://www.cbo.gov |
| Education Commission of the States | http://www.ecs.org/ |
| Federal Web Locator | http://www.fedworld.gov |
| Government Information Exchange | http://www.info.gov/ |
| Health Care Financing Administration | http://www.hcfa.gov |
| Library of Congress | http://www.loc.gov/ |
| Internal Revenue Service | http://www.irs.ustreas.gov/ |
| Michigan Access to Government Information Center | http://www.govern.com |
| Michigan Community College Association | http://www.mcca.org |
| Michigan Electronic Library | http://mel.lib.mi.us/ |
| Michigan Internet Superstation | http://www.ring.com/michigan.html |
| National Association of State Budget Officers | http://www.nasbo.org |
| National Center for Educational Statistics | http://www.nces.ed.gov/ |
| National Conference of State Legislatures | http://www.ncsl.org |
| National Governors' Association | http://www.nga.org |
| Presidents Council on State Universities of Michigan | http://www.pcsum.org |
| State Bar of Michigan | http://www.michbar.org |
| U.S. Census Bureau | http://www.census.gov |
| White House | http://www.whitehouse.gov |